

Damascus Residential Land and Housing Needs Analysis

Prepared for

City of Damascus

by

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Revised Report

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Executive Summary

This report presents housing needs analysis for the City of Damascus consistent with the requirements of statewide planning Goal 10, and the administrative rules that implement Goal 10 (OAR 660-007 and OAR 660-008). It includes a 20-year forecast of housing needs for Damascus based on the Metro's forecast for growth in the region. This study is intended to provide technical information that will assist the City in developing its comprehensive land use plan.

FINDINGS

POPULATION GROWTH

The projections in this report are based on Metro's population forecast for Damascus and the Portland Region. Table S-1 presents Metro's forecast for population growth and new housing development in Damascus for the 2010 to 2035 period. For the 2015 to 2035 period, Metro forecasts that Damascus will add 7,081 new households. About 7,054 households (99.6% of households) will be in single-family housing types (single-family residential and rural single-family housing types), with 27 households (0.4% of households) in multifamily housing types (multifamily residential and multifamily mixed-use housing types).

The Damascus City Council accepted the Metro forecast (in Table S-1) on 11/19/2012 through resolution 12-324.

Table S-1. Metro forecast for Households and estimate of population, Damascus city limit, 2010 to 2035

Year	Households			Population	
	Single-Family	Multifamily	Total	Average Household Size	Estimated Population
2010	3,322	205	3,527	3.0	10,581
2015	4,646	190	4,836	2.9	14,024
2025	9,087	164	9,251	2.7	24,978
2035	11,700	217	11,917	2.5	29,793
Change 2015 to 2035					
Households	7,054	27	7,081		15,769
Percent	152%	14%	146%		112%
AAGR	4.7%	0.7%	4.6%		3.8%
Change 2010 to 2035					
Households	8,378	12	8,390		19,212
Percent	252%	6%	238%		182%
AAGR	5.2%	0.2%	5.0%		4.2%

Source: Metro TAZ "Gamma" Forecasts, 9/19/2012

Note: The forecast was developed by transportation analysis zones to approximate the boundaries of the City of Damascus

Note: ECO extrapolated 2015 households based on the forecast of rate for household growth from 2010 to 2025, 6.6% average annual growth rate.

ECO estimated the change in average household size in 2015 based on the change in average household size between 2010 and 2025, a decrease of 0.3 persons per household for the 15-year period or 0.02 per year. ECO estimated population in Damascus in 2015 by dividing the total households by the estimated average household size in 2015.

DEMOGRAPHIC FACTORS AFFECTING HOUSING CHOICE

- *The Portland Region is growing.* The Portland Region—which includes Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark and Skamania counties in Washington—grew from approximately 1.5 million people in 1990 to over 2.2 million people in 2010, an increase of more than 702,000 people over the 20-year period. Between 2000 and 2010, the Portland Region grew by more than 298,000 people at an average annual rate of 1.5%.
- *Since 1990, the focus of population growth has shifted away from Multnomah County.* Between 1990 and 2010, Multnomah County’s population increased at an average annual rate of 1.2%, compared to an average annual rate of 2.4% in Clark, Washington, and Clackamas Counties. These three counties have not only experienced faster growth, but have experienced more population growth in real terms than Multnomah County.
- *Clackamas County grew more slowly than the Region.* Between 1990 and 2010, Clackamas County grew by about 97,000 people at an average rate of 1.5% annually. Population growth in Clackamas County accounted for about 14% of all growth in the Portland Region.
- *Damascus has a larger share of families and larger households than the County or Regional average.* In 2010, 82% of Damascus households were occupied by families, compared to 69% of Clackamas County households and 63% of Portland Region households. The average household in Damascus had 2.99 people in 2007-2011, compared to 2.69 in Clackamas County and 2.66 in the region.
- *Damascus has higher than median household income than the County or Region.* The median household income in Damascus in 2007-2011 was about \$83,772, compared to \$63,790 for Clackamas County and \$57,307 for the Portland Region. Other measures of income, including median household and per capita income, were also higher in Damascus.
- *Damascus households are more frequently homeowners.* Rental units make up a smaller share of occupied units in Damascus than in Clackamas County or across the region.
- *Housing units in the Damascus are more likely to be single-family detached units, and tend to be larger.*
- *The Portland Region is more ethnically diverse than Clackamas County or Damascus.* The Hispanic population is growing at similar rates in the Portland Region and Clackamas County.
- *Residents of the entire Portland Region are younger than residents of Clackamas County,* even as County-wide age levels are trending older; and Damascus residents are older on average than other Clackamas County residents.

The downturn in the housing market has left a large number of undeveloped lots west of Damascus. As this supply eventually diminishes, an increasing share of the demand for homes will shift to the Damascus area to the extent it can be accommodated. There is a

difference between the demand for housing and “realized demand.” As an example, there may be a demand for 800 units per year of single-family homes priced at \$250,000 per unit in Damascus, but this demand will only be “realized” if the product can be delivered. The distinction is between what could happen and what will happen.

Reflecting this, *a key determinant of actual realized demand in Damascus will be the area’s ability to accommodate potential growth.* If land is available with appropriate infrastructure and entitlements, it can be expected to start capturing a share of as much as 30% to 50% of the demand pool in East Clackamas County. However, the delay in completion of a comprehensive plan, the severe downturn in the housing market since, and the uncertainty in the market will delay the potential realized demand in Damascus.

HOUSING NEEDS

Metro’s forecast (Table S-1) indicated that Damascus will need 7,081 new dwelling units for the 2015-2035 period. The Economic Opportunity Analysis describes how Damascus may develop a larger, more diverse business and employment base. With a wider variety of businesses, Damascus will have a wider variety of jobs and income levels. Workers at Damascus businesses will need affordable housing, including more affordable housing types, such as multifamily housing, single-family attached housing, and affordable single-family detached housing.

Table S-2 shows an estimate of needed dwelling units by income level for the 2015-2035 period. The analysis uses market segments consistent with HUD income level categories based on the 2012 HUD median family income estimate for Clackamas County. Table S-2 shows two estimates of needed dwelling units by income level under two scenarios: (1) where the income distribution in 2035 is similar to what Damascus has currently, with many relatively affluent households and (2) where income distribution in 2035 is similar to the County average, with a mix of affluent and low income households.

- **Existing income distribution in Damascus.** This estimate assumes that nearly 70% of households in Damascus continue to earn 80% or more of the County’s median family income (MFI), consistent with the existing income distribution in Damascus. Under these assumptions, Damascus would need nearly 4,900 new dwelling units in market segments affordable to households earning 80% or more of MFI and about 2,200 units affordable to households earning less than 80% MFI. Damascus would need more than 1,100 units affordable to households earning less than 50% of MFI.
- **Existing income distribution in Clackamas County.** This estimate assumes that nearly 50% of households in Clackamas County continue to earn 80% or more of the County’s median family income (MFI), consistent with the existing income distribution in Clackamas County according to the 2011 American Community Survey. Under these assumptions, Damascus would need nearly 3,500 new dwelling units in market segments affordable to households earning 80% or more of MFI and about 3,600 units affordable to households earning less than 80% MFI. Damascus would need more than 2,100 units affordable to households earning less than 50% of MFI.

It is reasonable to estimate that Damascus' housing need by income distribution will be somewhere between the current distribution (with 70% of households with income of 80% MFI or more) and Clackamas County's current distribution (50% of households with income of 80% MFI or more). The implication for Damascus' future housing need is that the City will need more housing affordable to lower income households, which will result in a decrease in the share of housing from more than 95% of single-family housing for new housing built between 2015 to 2035.

Table S-2. Estimate of needed dwelling units by income level, Damascus, 2015-2035

Market Segment by Income	Income Range	Existing conditions in Damascus		Existing conditions in Clackamas County		Financially Attainable Products	
		Number of Households	Percent of Households	Number of households	Percent of Households	Owner-occupied	Renter-occupied
High (120% or more of MFI)	\$86,400 or more	3,387	48%	2,225	31%	All housing types; higher prices	All housing types; higher prices
Upper Middle (80%-120% of MFI)	\$57,600 to \$86,400	1,484	21%	1,274	18%	All housing types; lower values	All housing types; lower values
Lower Middle (50%-80% of MFI)	\$36,000 to \$57,600	1,081	15%	1,496	21%	Manufactured on lots; single-family attached; duplexes	Single-family attached; detached; manufactured on lots; apartments
Lower (30%-50% of less of MFI)	\$21,600 to \$36,000	739	10%	1,001	14%	Manufactured in parks	Apartments; manufactured in parks; duplexes
Very Low (Less than 30% of MFI)	Less than \$21,600	390	6%	1,085	15%	None	Apartments; new and used government assisted housing

Source: Estimates by ECONorthwest based on HUD 2011 Median Family Income for Clackamas County, 2007-2011 American Community Survey for Damascus income data, and 2011 American Community Survey for Clackamas County income data.

The housing needs analysis classifies housing types as described in the *Planning for Residential Growth* guidebook, published by the Oregon Transportation and Growth Management Program (1996). Allowed structure types are the same as the needed housing types identified in ORS 197.303 and include:

- Single-family detached units – includes stick-built single-family detached units and manufactured homes on individual lots
- Manufactured – includes manufactured or mobile homes in mobile home parks. Manufactured homes on individual lots are treated as single-family detached dwellings.
- Single-family attached dwellings – includes owner-occupied condominiums, townhomes, row houses and other single-family attached units
- Multifamily – includes duplex, tri-plex, four-plex, and apartment buildings with five or more units.

Table S-3 relates income levels to tenure and structure type, based on Census data about housing tenure by housing types in Damascus and Clackamas County. Table S-3 shows an estimate of needed dwelling units by type and tenure for Damascus from 2015 to 2035. Table S-3 assumes:

- **Housing mix.** Damascus' current housing mix is 93% single-family housing types and 7% multi-family housing. The conclusion of the affordability analysis in Table S-3 is that more than 30% and up to 50% of Damascus' new housing should be affordable to households earning less than 80% of MFI. The housing types most likely to be affordable to households in this income range are attached and multifamily housing types or older, smaller and less costly single-family dwellings.

The Metropolitan Housing Rule requires jurisdictions to designate buildable land to provide the opportunity for at least fifty percent (50%) of new residential units to be attached single family housing or multiple family housing. Table S-3 assumes a mix of new units developed between 2015 to 2035 of 60% single-family housing types and 40% multi-family housing types. This mix is based on the assumption that Damascus will need a larger share of multi-family housing types, as the City develops over the planning period.. The Metro Housing rule provides for cities to justify an alternative mix based on the Metro Forecast of dwelling units by type. The City of Damascus assumes a 60% single family housing and a 40% multiple family housing split. Damascus will need to provide the opportunity for multiple family housing but it is expected that new single family residential capacity in the region will occur on the edges of the Urban Growth Boundary. As Damascus shows early stages of urban development it is forecasted that the city will see the market demanding single-family residential homes. This is primarily due to lack of public infrastructure and lack of retail and services in the community. The 2010 Census that indicates the portion of single-family housing as actually increased in Clackamas County by 3% between 2000-2011. As growth occurs overtime workers in Damascus will need affordable housing, including more affordable housing types such as multi-family, single-family attached and affordable single family detached housing. Metro's forecast shows less than 1% of the households in Damascus as Multi-family for the twenty year planning period but the City will be providing for the opportunity for 40% multi-family developments and meeting the 8 dwelling unit per net developable acre as required by the Department of Conservation & Development.

- **Housing tenure.** Damascus' housing tenure was 91% owner-occupied and 9% renter-occupied. In comparison, Clackamas County's 2011 tenure was 69% owner-occupied and 31% renter-occupied. Table S-3 assumes that 65% of new housing will be owner-occupied and 35% will be renter-occupied. This assumption is consistent with the conclusion of Table S-2 that Damascus will need a wider range of housing choices, as the City urbanizes.

Table S-3. Estimate of needed dwelling units by type and tenure, Damascus, 2015-2035

	Owner-Occupied		Renter-Occupied		Total	
	New DU	Percent	New DU	Percent	New DU	Percent
Single-family types						
Single-family detached	3,525	77%	653	26%	4,178	59%
Manufactured in Parks	65	1%	6	0%	71	1%
Subtotal	3,590	78%	659	27%	4,249	60%
Multi-family						
Single-family attached	92	2%	120	5%	212	3%
Multifamily	921	20%	1,699	69%	2,620	37%
Subtotal	1,013	22%	1,819	73%	2,832	40%
Total	4,603	100%	2,478	100%	7,081	100%

Source: ECONorthwest

Table S-4 shows the forecast of needed housing units by density based on the Metro forecast of population growth in Damascus between 2015 and 2035. The forecast shows land need in net and gross acres. *Net acres* refers to the amount of land needed for housing, not including public infrastructure (e.g., roads) or services (e.g., schools or parks). *Gross acres* refers to the estimated amount of land needed for housing inclusive of public infrastructure and services.

The forecast indicates that Damascus will need about 881 net residential acres, or about 1,057 gross residential acres to accommodate new housing between 2015 and 2035. The forecast results in an average residential density of 8.0 dwelling units per net residential acre and of 6.7 dwelling units per gross residential acre.

Table S-4. Forecast of needed housing units by mix and density, Damascus, 2015-2035

Housing Type	New DU	Percent	Density (DU/net res ac)	Net Res. Acres	Net to Gross Factor	Gross Res. Acres	Density (DU/gross res ac)
Single-family types							
Single-family detached	4,178	59%	6.0	696	18%	849	4.9
Manufactured in Parks	71	1%	6.0	12	15%	14	5.1
Subtotal	4,249	60%	6.0	708		863	4.9
Multi-family							
Single-family attached	212	3%	9.0	24	15%	28	7.7
Multifamily	2,620	37%	17.5	150	10%	166	15.8
Subtotal	2,832	40%	16.3	173		194	14.6
Total	7,081	100%	8.0	881		1,057	6.7

Source: ECONorthwest

CONCLUSIONS

- The demographic profile of Damascus will begin to change as more urban-density housing is built, as a broader range of housing options are available, and as more employment opportunities emerge. The City can expect a more diverse population

and a decreasing average household size; median income and percentage of individuals with a college degree will probably decrease. In short, the City can expect a shift toward a demographic profile that more closely mirrors Clackamas County.

- In the short-term, housing demand in Damascus is likely to be low as a result of the lack of urban-level infrastructure in Damascus and the downturn in the housing market.
- As developable land supplies diminish to the west of Damascus, an increasing share of demand is expected to shift to the Damascus area to the extent it can be accommodated. If land is available *with appropriate infrastructure and entitlements*, it can be expected to immediately start capturing a share of the larger demand pool in East Clackamas County. The overall pool of new home sales in the broader area was in the range of 400 to 500 units per year in 2007. After 2007, housing construction dropped to a fraction of that number and is not expected to rebound in the near term. If the 2007 volume of new home sales returns when the housing market recovers, Damascus may expect to capture between 30% and 50% of the volume of new homes, and the annual sales pace could range from 120 to 250 units annually in the area. This could increase significantly over the 20-year period with transportation improvements and new services and employment opportunities to support the increasing population.
- Based on the Metro Forecast, the housing needs analysis concluded that Damascus will need approximately 7,081 new dwelling units to accommodate population growth between 2015 and 2035. These figures do not include dwellings needed for persons in group quarters. Following are additional conclusions from the housing needs analysis:
 - Based on the Metro Housing Forecast, Damascus will need approximately 4,603 new owner-occupied dwelling units and approximately 2,478 new renter-occupied dwelling units. The majority of owner occupied dwellings will be single-family detached units, and most renter-occupied units will be multifamily.
 - About 43% of Damascus' housing needs will be for new dwelling units affordable to households with incomes below \$57,600. Damascus will need approximately 3,067 new units to serve this population, depending on housing mix.

Implications of housing needs

The housing needs analysis presented in this report is based on the assumption that the City will not be able to provide infrastructure to accommodate full buildout in the 2015-2035 planning horizon (or in the 20-year period after it completes the comprehensive plan).

The actual rate of development will depend on a number of factors that are difficult to assess at this time. Regional population forecasts suggest that population growth will

create demand for housing throughout the region; including in Damascus. In our assessment, the City's ability to provide services to land will be the biggest determinant of how much growth the City actually gets. The market assessment presented in Chapter 4 of this report concluded that the annual sales pace would range from 120 to 250 units annually.

What is clear is that the City must plan for identified housing needs. This is somewhat challenging, because the demographic and socio-economic characteristics of Damascus household's will change as the City urbanizes. The City can expect a broader range of household types, more young households, and more households with lower incomes. All of this points to a need for a broader range of housing, including multifamily housing types.

KEY POLICY ISSUES

The Metropolitan Housing Rule and Metro Functional Plan has several specific requirements that Damascus must address in its comprehensive plan and implementing ordinances. Of these, the two most important are (1) housing mix, and (2) density. Damascus must either adopt policies that address the 50/50 housing mix requirement and the 8 dwelling unit per net buildable acre density target, or provide justification for different assumptions.

The housing needs analysis identifies a number of additional policy issues that are outside the scope of this report:

1. *Land capacity.* Damascus has completed its Natural Features Inventory and the city is working towards a protection strategy that meets both the State's Goal 5 program requirements and Metro's Title 3 (Water Quality Resources) and Title 13 (Nature in the Neighborhoods). Natural resource policies will be determined prior to Damascus completing a final Buildable Lands Analysis.
2. *Land use designations.* OAR 660-007 requires cities to establish residential plan designations. It also allows local governments to defer the assignment of specific residential plan designations in certain circumstances including that "uncertainties concerning the funding, location and timing of public facilities have been identified in the local comprehensive plan." (OAR 600-007-0018)
3. *Housing density and mix.* OAR 660-007-0035 sets specific density targets for cities in the Metro UGB. Damascus is not included in the density targets because it incorporated after the last amendments to the rule. Because Damascus does not have an acknowledged plan, and because it is not specifically listed in the density targets of the Metropolitan Housing Rule, it is unclear what the City's legal obligation is under the Rule.

This report presents a housing needs analysis (HNA) for the City of Damascus. The study is intended to comply with statewide planning policies that govern planning for housing and residential development, including Goal 10 (Housing), and OAR 660 Divisions 7 and 8. The primary goals of this study are to (1) identify key trends that will affect housing needs in Damascus, (2) project the number of needed housing units by type and income level, and (3) project the amount of land needed to accommodate the City's future housing needs of all types. The methods used for this study generally follow the *Planning for Residential Growth* guidebook, published by the Oregon Transportation and Growth Management Program (1996).

BACKGROUND

In 2002 Metro, the Portland Metropolitan regional government, expanded the Portland Metro Urban Growth Boundary (UGB) to include the unincorporated community of Damascus, located on the southeastern fringe of the Metro area. The City of Damascus incorporated in 2004.

The current development patterns in Damascus are low-density, rural development with a few retail services. As an incorporated city, Damascus is required by ORS 197.005 to develop a plan and continued in the process of developing such a plan in 2012. The City is coordinating the land use planning with planning for urban services, including sanitary sewer, wastewater treatment, and municipal water systems.

Statewide planning Goal 10 (Housing) requires local land use plans to address housing policies and goals. This report presents technical analysis and research designed to help the City develop the housing element of the City's comprehensive plan in accordance with Goal 10 and the administrative rules implementing Goal 10 (OAR 660-007 and OAR 660-008).

REVISIONS TO THE HOUSING NEED ANALYSIS

This report is an update to the HNA report dated February 2008. The primary reason for the revision to the HNA was the update the fact-base for the HNA to reflect changes in the economy and housing market over the past five years and to incorporate new Census data. The conclusions and recommendations in the HNA have not substantially changed from the February 2008 report. The updates in the HNA include:

- **Census data.** This report incorporates two types of updates to Census data: (1) recognition of Damascus as a Census place and (2) newly available Census data.
 - When the February 2008 report was developed, Damascus was not a place recognized by the U.S. Census Bureau. The February 2008

report presented data for Damascus using an area that approximated the City based on Census Tracts. Damascus is now a city recognized by the Census. The revised report presents household data from the Census for the City of Damascus.

- Data from the 2010 Decennial Census data and 2007-2011 American Community Survey data are now available for Damascus.
- **Metro forecasts.** In September 2012, Metro completed revisions to the regional forecasts of employment growth, referred to as the Metro “Gamma” Forecast. This report incorporates Metro’s revised forecasts for employment growth in Damascus. The report no longer includes references to the range of growth forecasts from Metro from 2007.
- **Other updates.** This document includes other updates that reflect changes in Damascus or the Portland Region since 2008.

Some information in this report has not been updated because the City had little development between 2007 and 2012. For example, housing development activity in East Clackamas County was not updated as part of the revision to the report.

PURPOSE

Oregon Statewide Goal 10 requires cities to “provide for the housing needs of citizens of the State.” Under Goal 10 rules and guidelines, the Comprehensive Plan shall include the following information and components:

- Inventory the supply of buildable lands within the current urban growth boundary;
- Identify “needed housing” by type and density range, in accordance with ORS 197.303 and statewide planning goals and rules related to housing;
- Determine the amount of land needed for each needed housing type for the next 20 years.

This report presents a housing needs analysis consistent with the above outlined requirements, and draws upon previous work that ECONorthwest has completed for a number of Oregon cities and regions. *It does not include a buildable lands inventory.* The report is intended to serve as the basis for subsequent discussions and policy choices regarding the management of growth in Damascus. The geographic scope of the housing needs analysis is all land inside the Damascus City Limits.

Consistent with the state and regional policy framework, and to inform the comprehensive planning process, the Damascus housing needs assessment presents the following information:

- **Policy framework.** Planning for housing in Damascus is governed by a number of state statutes and administrative rules. The City is in the process of developing a comprehensive land use plan which must be

consistent with state statutes and administrative rules to be acknowledged by the Land Conservation and Development Commission.

- **Housing trends.** This includes national, state, and regional trends in housing markets that will influence housing development in Damascus over the planning period.
- **Demographic trends.** Literature on housing shows clear relationships between demographic characteristics and housing choice.
- **Housing market conditions.** Statewide planning Goal 10 requires cities to address housing “needs,” which are different than housing “demand.”
 - *Housing need* can be defined broadly or narrowly. The broad definition is based on the mandate of Goal 10 that requires communities to plan for housing that meets the needs of households at all income levels. Thus, Goal 10 implies that everyone has a housing need because everyone needs housing. However, the definition used by public agencies that provide housing assistance (primarily the Department of Housing and Urban Development – HUD, and the Oregon Housing and Community Services Department - HCS) is more narrow. It does not include most of the households that can purchase or rent housing consistent with the requirements of their household size for a price that is affordable. Households that cannot find and afford such housing have need: they are either unhoused, in housing of substandard condition, overcrowded, or paying more than their income and federal standards say they can afford.
 - *Housing market demand* is what households demonstrate they are willing to purchase in the market place. Growth in population leads to a growth in households and implies an increase in demand for housing units that is usually met primarily by the construction of new housing units by the private sector based on developers' best judgments about the types of housing that will be absorbed by the market. ORS 197.296 includes a market demand component: buildable land needs analyses must consider the density and mix of housing developed over the previous five years or since their most recent periodic review, whichever is greater.

In short, a housing needs analysis should make a distinction between housing that people might need (housing needs) and what the market will produce (housing market demand). Damascus will have to identify strategies in its comprehensive plan that address housing need while recognizing that housing markets will not provide for the needs of all households.

- **Estimate of needed housing.** Consistent with state policy, the housing needs analysis provides an estimate of housing needs by housing type, income level and density. The needs analysis relates household characteristics and income levels to housing types and density ranges.

This analysis will help the City consider options for residential land use designations, including estimates of how much land (in acres) are required for each needed housing type.

- **Conclusions and implications.** The intent of the housing needs analysis is to identify the key factors that will influence housing development in Damascus. The City faces difficult policy choices in how to provide for housing needs within the context of the regional housing market. One of the key challenges facing the City is the cost and timing of infrastructure that is a pre-requisite to any housing development. Decisions about the phasing of infrastructure will affect the timing, rate and location of housing development. Such decisions are of critical importance to the City as they require significant public investments that are predicated on future development in the City.

In general, a housing needs analysis contains a *supply* analysis (existing housing, planned housing, and buildable land) and a *demand* analysis (population and employment growth leading to demand for more built space: housing by type and density). The City does not have a comprehensive plan map, and thus does not have a buildable lands inventory. As such, this report does not evaluate land supply issues. It does, however, evaluate housing needs and provides estimates of how much land will be needed by density range to accommodate 20 years of population growth.

ORGANIZATION

The rest of this report is organized as follows:

- **Chapter 2, Framework for a Housing Needs Analysis**, describes the theoretical and policy underpinnings of conducting a Goal 10 housing needs analysis for Damascus, including requirements outlined in the Metropolitan Housing Rule (OAR 660-007).
- **Chapter 3, Demographic and Other Factors Affecting Development in Damascus**, presents a summary of demographic and socioeconomic trends that may affect housing demand in Damascus.
- **Chapter 4, Housing Market Conditions**, describes housing market trends in the Portland Region, including trends in affordability and regional housing needs.
- **Chapter 5, Housing Needs in Damascus**, presents a housing needs analysis consistent with Goal 10 and OAR 600-007 and 660-008.
- **Chapter 6, Key Findings and Conclusions**, summarizes key conclusions of the housing needs analysis and their implications for the City of Damascus.

The report also includes two appendices:

- **Appendix A, Potential measures to encourage needed housing types** presents a broad range of measures Damascus could consider to meet its housing needs.
- **Appendix B, National Housing Trends** presents research ECO has performed over the course of several years describing key factors affecting housing at the national level.

Framework for a Housing Needs Analysis¹

Economists view housing as a bundle of services for which people are willing to pay: shelter certainly, but also proximity to other attractions (job, shopping, recreation), amenity (type and quality of fixtures and appliances, landscaping, views), prestige, and access to public services (quality of schools). Because it is impossible to maximize all these services and simultaneously minimize costs, households must, and do, make tradeoffs. What they can get for their money is influenced by both economic forces and government policy. Moreover, different households will value what they can get differently. They will have different preferences, which in turn are a function of many factors like income, age of household head, number of people and children in the household, number of workers and job locations, number of automobiles, and so on.

Thus, housing choices of individual households are influenced in complex ways by dozens of factors; and the housing market in Portland Region, Clackamas County and Damascus are the result of the individual decisions of hundreds of thousands of households. These points help to underscore the complexity of projecting what types of housing will be built in Damascus between 2015 and 2035.

The complexity of a housing market is a reality especially as demonstrated over the past several years with the unprecedented boom and bust of the housing market, but this does not obviate the need for some type of forecast of future housing demand and need, and its implications for land demand and consumption. Such forecasts are inherently uncertain. Their usefulness for public policy often derives more from the explanation of their underlying assumptions about the dynamics of markets and policies than from the specific estimates of future demand and need. Thus, we start our housing analysis with a framework for thinking about housing and residential markets, and how public policy affects those markets.

¹ Parts of this chapter are based on studies ECONorthwest has completed for other Oregon cities and regions.

WHAT IS “AFFORDABLE” HOUSING?

The terms “affordable” and “low-income” housing are often used interchangeably. These terms, however, have different meanings:

- *Affordable housing* refers to households’ ability to find housing within their financial means. Households that spend more than 30% of their income on housing and certain utilities are considered to experience *cost burden*.² As such, any household that pays more than 30% experiences cost burden and does not have *affordable* housing. Thus, affordable housing applies to all households in the community.
- *Low-income housing* refers to housing for “low-income” households. HUD considers a household low-income if it earns 80% or less of median family income. In short, low-income housing is targeted at households that earn 80% or less of median family income.

These definitions mean that any household can experience cost burden and that affordable housing applies to *all* households in an area. Low-income housing targets low-income households. In other words, a community can have a housing affordability problem that does not include only low-income households.

It is important to underscore the point that many households that experience cost burden have jobs and are otherwise productive members of society. A household earning 80% of median family income in the Portland Region earns about \$58,400 annually—or about \$28.00 per hour for a full-time employee. This household could afford monthly rent (including utilities) of \$1,460 or purchasing a house with a \$175,000 price. Depending on household size, many households at or below these incomes are eligible for government housing assistance programs.

In summary, any household can face housing affordability problems. Because they have more limited financial means, the incidence of cost burden is higher among low-income households. Statewide planning Goal 10 requires cities to adopt policies that encourage housing at price ranges commensurate with incomes. In short, state land use policy does not distinguish between households of different income levels and requires cities to adopt policies that encourage housing for all households.

² Cost burden is a concept used by HUD. Utilities included with housing cost include electricity, gas, and water, but do not include telephone expenses.

OREGON HOUSING POLICY

STATEWIDE PLANNING GOAL 10

The passage of the Oregon Land Use Planning Act of 1974 (ORS Chapter 197), established the Land Conservation and Development Commission (LCDC), and the Department of Land Conservation and Development (DLCD). The Act required the Commission to develop and adopt a set of statewide planning goals. Goal 10 addresses housing in Oregon and provides guidelines for local governments to follow in developing their local comprehensive land use plans and implementing policies.

At a minimum, local housing policies must meet the requirements of Goal 10 and the statutes and administrative rules that implement it (ORS 197.295 to 197.314, ORS 197.475 to 197.490, and OAR 600-008).³ Jurisdictions located in the Metro UGB are also required to meet the requirements for Metropolitan Housing in OAR 660-007 and Title 7 of Metro's Urban Growth Management Functional Plan in the Metro Code (3.07 Title 7).

Goal 10 requires incorporated cities to complete an inventory of buildable residential lands and to encourage the availability of adequate numbers of housing units in price and rent ranges commensurate with the financial capabilities of its households.

Goal 10 defines needed housing types as "housing types determined to meet the need shown for housing within an urban growth boundary at particular price ranges and rent levels." ORS 197.303 defines needed housing types:

- (a) Housing that includes, but is not limited to, attached and detached single-family housing and multiple family housing for both owner and renter occupancy;
- (b) Government assisted housing;⁴
- (c) Mobile home or manufactured dwelling parks as provided in ORS 197.475 to 197.490; and
- (d) Manufactured homes on individual lots planned and zoned for single-family residential use that are in addition to lots within designated manufactured dwelling subdivisions.

In summary, Damascus must identify needs for all of the housing types listed above as well as adopt policies that increase the likelihood that needed housing types will be developed.

³ ORS 197.296 only applies to cities with populations over 25,000.

⁴ Government assisted housing can be any housing type listed in ORS 197.303 (a), (c), or (d).

THE METROPOLITAN HOUSING RULE

OAR 660-007 (the Metropolitan Housing rule) is designed to “assure opportunity for the provision of adequate numbers of needed housing units and the efficient use of land within the Metropolitan Portland (Metro) urban growth boundary.”

OAR 660-0070-005(12) provides a Metro-specific definition of needed housing:

"Needed Housing" defined. Until the beginning of the first periodic review of a local government's acknowledged comprehensive plan, "needed housing" means housing types determined to meet the need shown for housing within an urban growth boundary at particular price ranges and rent levels.

The Metropolitan Housing Rule also requires cities to develop residential plan designations:

(1) Plan designations that allow or require residential uses shall be assigned to all buildable land. Such designations may allow nonresidential uses as well as residential uses. Such designations may be considered to be "residential plan designations" for the purposes of this division. The plan designations assigned to buildable land shall be specific so as to accommodate the varying housing types and densities identified in OAR 660-007-0030 through 660-007-0037.

OAR 660-007-0018 allows local governments to defer the assignment of specific residential plan designations under the following circumstances:

- (a) Uncertainties concerning the funding, location and timing of public facilities have been identified in the local comprehensive plan;
- (b) The decision not to assign specific residential plan designations is specifically related to identified public facilities constraints and is so justified in the plan; and
- (c) The plan includes a time-specific strategy for resolution of identified public facilities uncertainties and a policy commitment to assign specific residential plan designations when identified public facilities uncertainties are resolved.

Damascus faces a number of uncertainties concerning public facilities and could make use of this provision if it desires. Such an approach would equate to a de facto urban services strategy and could provide the City with some flexibility to refine public facilities plans in areas that are distant from existing services, that are in independent watersheds, or that present financing difficulties.

OAR 660-007 also specifies the mix and density of new residential construction for cities within the Metro UGB:

“Provide the opportunity for at least 50 percent of new residential units to be attached single family housing or multiple family housing or justify an alternative percentage based on changing circumstances.” (OAR 660-007-0030 (1))

Cities can apply for an exception to the 50% housing mix requirement, provided they provide justification for an alternate mix. OAR 660-007-0030(1) requires the following factors be considered in justifying an alternate percentage:

- (a) Metro forecasts of dwelling units by type;
- (b) Changes in household structure, size, or composition by age;
- (c) Changes in economic factors impacting demand for single family versus multiple family units; and
- (d) Changes in price ranges and rent levels relative to income levels.

OAR 660-007-0035 sets specific density targets for cities in the Metro UGB. Damascus is not included in the density targets. Specifically, the rule establishes three density targets:

- 6 dwelling units per net buildable acre. The rule lists small cities with some growth potential (less than 8,000 persons), including the cities of Cornelius, Durham, Fairview, Happy Valley, and Sherwood.
- 8 dwelling units per net buildable acre. This includes Clackamas and Washington Counties, and the cities of Forest Grove, Gladstone, Milwaukie, Oregon City, Troutdale, Tualatin, West Linn and Wilsonville.
- 10 dwelling units per net buildable acre. This includes Multnomah County and the cities of Portland, Gresham, Beaverton, Hillsboro, Lake Oswego and Tigard. These are larger urbanized jurisdictions with regionally coordinated population projections of 50,000 or more for their active planning areas, which encompass or are near major employment centers, and which are situated along regional transportation corridors.

Cities may also identify an alternative density if they have justified an alternative construction mix. OAR 660-007-037 states “The density standards in OAR 660-007-0035 shall not apply to a jurisdiction which justifies an alternative new construction mix under the provisions of OAR 660-007-0030.” Jurisdictions must meet the following standards to justify an alternative density:

- (1) The jurisdiction must provide for the average density of detached single family housing to be equal to or greater than the density of detached single family housing provided for in the plan at the time of original LCDC acknowledgment.
- (2) The jurisdiction must provide for the average density of multiple family housing to be equal to or greater than the density of multiple family housing provided for in the plan at the time of original LCDC acknowledgment.

- (3) A jurisdiction which justifies an alternative new construction mix must also evaluate whether the factors in OAR 660-007-0030 support increases in the density of either detached single family or multiple family housing or both. If the evaluation supports increases in density, then necessary amendments to residential plan and zone designations must be made.

Under agreement with the State Department of Land Conservation and Development (DLCD) and Metro, Damascus is obligated to provide an average density of eight units per acre and provide the opportunity for at least 50 percent of new residential units to be attached single family housing or multiple family housing.

TITLE 1 OF THE METRO URBAN GROWTH MANAGEMENT FUNCTIONAL PLAN

Title 1 of Metro's Urban Growth Management Functional Plan is intended to promote efficient land use within the Metro UGB by increasing the capacity to accommodate housing capacity. Each city is required to determine its housing capacity based on the minimum number of dwelling units allowed in each zoning district that allows residential development. The cities are required to provide capacity for development of a minimum number of dwelling units, as specified in Title 1.

Title 1 provides measures to increase development capacity for each zoning district that allows residential development within the Metro UGB. These measures include: (1) adopting minimum residential development density standards, (2) allowing partition of lots that are at least twice the minimum lot size, (3) allowing at least one accessory dwelling unit for each single-family dwelling, and (4) reporting the actual density of new residential development every two years.

Title 1 also requires that cities determine the boundaries of 2040 Growth Concept design types (e.g., town centers, main streets, corridors, etc.). Cities are required to include these designations within their comprehensive plan.

TITLE 7 OF THE METRO URBAN GROWTH MANAGEMENT FUNCTIONAL PLAN

Title 7 of Metro's Urban Growth Management Functional Plan is designed to ensure the production of affordable housing in the Metro UGB. Each city and county within the Metro region is encouraged to voluntarily adopt an affordable housing production goal. The progress towards the production of affordable housing is measured every two years, starting in July 2007.

Each jurisdiction within the Metro region is required to ensure that their comprehensive plans and implementing ordinances include strategies to: ensure the production of a diverse range of housing types, maintain the existing supply of affordable housing, increase opportunities for new affordable housing dispersed throughout their boundaries, and increase opportunities for households of all income levels to live in affordable housing. (3.07.730).

TITLE 11 OF THE METRO URBAN GROWTH MANAGEMENT FUNCTIONAL PLAN

Title 11 of Metro's Urban Growth Management Functional Plan provides guidance on the conversion of land from rural to urban uses. Land brought into the Metro UGB is subject to adopted comprehensive plan provisions consistent with the requirements of the Metro Urban Growth Management Function Plan. Development or changes in land-use policy in areas brought into the UGB is restricted until policy governing the uses allowed within these areas (e.g., amendments to comprehensive plan or implementing land-use regulations) is coordinated among city, county, and service districts and is in effect.

Title 11 includes planning requirements for land brought into the Metro UGB. The requirements directly related to residential development are: (1) provision for average residential densities of at least 10 dwelling units per net developable residential acre or other densities specified by the Metro Council, (2) demonstrable measures to provide a diversity of housing stock, (3) demonstration of inclusion of housing affordable to households at or below median income for home ownership and at or below 80% of area median income for rentals (excluding public subsidies), and (4) a determination of the zoned dwelling unit capacity of zoning districts that allow housing.

SUMMARY

Goal 10 requires the City to plan for "needed" housing types, which are housing types determined to meet the need shown for housing within an urban growth boundary at particular price ranges and rent levels. Needed housing units also includes (but is not limited to) attached and detached single-family housing, multiple-family housing, and manufactured homes, whether occupied by owners or renters. In short, Damascus must plan for a range of housing types at a range of price levels.

Goal 10 intends that cities identify housing need and develop a land use policy framework that meets identified needs. One of the key issues that is addressed in a housing needs analysis is to determine how much land is needed for different housing types, and therefore must be designated for different housing types. Providing sufficient land in the proper designations is one of the most fundamental land use tools local governments have to meet housing need.

Cities can adopt a broad range of other housing strategies to meet housing needs. These include measures identified in ORS 197.296(9):

- Increases in the permitted density on existing residential land;
- Financial incentives for higher density housing;
- Provisions permitting additional density beyond that generally allowed in the zoning district in exchange for amenities and features provided by the developer;
- Removal or easing of approval standards or procedures;

- Minimum density ranges;
- Redevelopment and infill strategies;
- Authorization of housing types not previously allowed by the plan or regulations;
- Adoption of an average residential density standard; and
- Rezoning or redesignation of nonresidential land.

Many of these strategies are not applicable to Damascus because it does not currently have any housing policies. The list is useful, however, in underscoring some of the basic issues—such as density—that relate to housing affordability. Appendix A provides a longer list of potential housing measures.

The key issue for Damascus will be determining whether the policies will (1) have a measurable impact on the capacity of land to accommodate needed housing types, (2) will lead to meaningful increases in that capacity, and (3) will be implemented in a manner that will lead to the intended outcomes. In evaluating policy options, Damascus should focus on the following questions:

- Does each proposed measure address an identified need or deficiency?
- Does the measure have a reasonable probability of addressing the need or deficiency?
- Would other measures be more effective at addressing the need or deficiency?
- Will the measure have a quantifiable impact on the capacity of land to accommodate development?

Finally, while Goal 10 provides the broad framework for planning for housing needs, the Metropolitan Housing Rule and Metro Functional Plan has several specific requirements that Damascus must address in its comprehensive plan and implementing ordinances. Of these, the two most important are (1) housing mix, and (2) density. Damascus must either adopt policies that address the 50/50 housing mix requirement and the 8 dwelling unit per net buildable acre density target, or provide justification for different assumptions. The Department of Land Conservation and Development has determined that Damascus will need to meet the threshold of 8 dwelling units per net buildable acre.

Demographic and Other Factors Affecting Development in Damascus

Chapter 3

This chapter presents data on state, regional, and local demographic and housing trends. The analysis addresses steps 1 and 2 of the housing needs analysis process as described in the DLCD Workbook *Planning for Residential Growth*:

1. Identify relevant national, state, and local demographic and economic trends and factors that may affect the 20-year projection of structure type mix; and
2. Describe the demographic characteristics of the population and, if possible, housing trends that relate to demand for different types of housing.

Step 1 is relevant to Damascus: national, state, and regional demographic and economic trends have meaningful implications for local housing needs. From a local context, Step 2 is less meaningful. Demographic and housing trends in Damascus are not very useful in addressing future housing needs. At the time this report was written, Damascus could be characterized as a rural community. When the City adopts its comprehensive land use plan, it will adopt policies that facilitate the transition from a rural community to an urban community. As a result, housing needs in Damascus will be influenced by broader regional demographic and housing trends as well as regional housing policy.

DEMOGRAPHIC CHARACTERISTICS OF OREGON, THE PORTLAND REGION, AND DAMASCUS

State and regional demographic and housing trends are important to a thorough understanding of the dynamics of the Damascus housing market. Damascus exists in a regional economy; trends in the region impact the local housing market. This section describes state and regional demographic and housing trends relevant to Damascus.

Throughout this report, this analysis discusses trends in the Portland Region. This region is defined as the Portland/Vancouver Metropolitan Statistical Area (MSA) includes the following counties in Oregon: Clackamas, Columbia, Multnomah, Washington, and Yamhill. It also includes Clark and Skamania Counties in Washington.

STATE DEMOGRAPHIC TRENDS

Oregon's *2011-2015 Consolidated Plan* includes a detailed housing needs analysis as well as strategies for addressing housing needs statewide.⁵ The plan concludes that "Oregon's changing population demographics are having a significant impact on its housing market." It identified the following population and demographic trends that influence housing need statewide:

- Growing more slowly than the national average since 2007
- Facing housing cost increases but higher unemployment and lower wages, when compared to the nation
- Having higher foreclosure rates since 2005, compared with the previous two decades
- Losing federal subsidies on about 8% of federally subsidized Section 8 housing units
- Losing housing value in some markets within Oregon
- Losing manufactured housing parks, with a 25% decrease in the number of manufactured home parks between 2003 and 2010
- Increasingly older, more diverse, and, less affluent households⁶

The US Census shows demographic changes taking place in Oregon as summarized below. It should be noted that the Hispanic Population grew rapidly in Oregon during the 2000s, but slowed after 2007 as the Great Recession took hold and employment opportunities dwindled. It may return to normal growth during the second half of the 2010s if the economy rebounds.

- Oregon's **minority population grew** quickly over the last decade. Minorities made up 16.5% of the population in 2000 and 21.5% of the population in 2010, a 46% increase.
- **Hispanics and Latinos made up a large share of that population** and their growth rate is higher than non-Hispanics/ Latinos. The growth rate of Oregon's non-Hispanic population between 2000 and 2010 was 7.5% compared to 63.5% for Hispanics and Latinos.
- **Fertility rates** of Hispanic residents were higher than non-Hispanic residents. In 2010, for Oregon, white non-Hispanic women between the ages of 15 and 50 had 49 births per 1,000, lower than black non-Hispanics (59 per 1,000), and Hispanic (78 per 1,000).
- In Oregon, Hispanic **per capita income** in 2010 was only 47% of white per capita income.

⁵ http://www.ohcs.oregon.gov/OHCS/HRS_Consolidated_Plan_5yearplan.shtml.

⁶ State of Oregon *Draft Consolidated Plan 2011 to 2015*

- Hispanic households had a **higher rate of homeownership among younger households**. Table 3-1 shows that a smaller share of Hispanic households were homeowners (40%) in 2010, compared with non-Hispanic households (64%). However, Hispanic households had a higher rate of homeownership for younger households than non-Hispanic households. For example, 49% of Hispanic households aged 25 to 44 years were homeowners, compared with 24% of non-Hispanic households.

If these trends continue, then as Hispanic population grows, there will be more younger households (possibly with young children) in the market for purchasing a home. This has implications for the types of housing needed to meet the needs of these households.

Table 3-1. Oregon homeownership distribution by age of householder and Hispanic origin, 2010

Age of Householder	Hispanic/Latino	Non Hispanic/Latino
Under 25 years	2%	1%
25 to 44 years	49%	24%
45 to 64 years	39%	46%
65 years and older	10%	29%
Total	40%	64%

Source: U.S. Census Bureau, 2010 Census, H17H, H17

REGIONAL AND LOCAL DEMOGRAPHIC TRENDS

Regional demographic trends largely follow the statewide trends discussed above, but provide additional insight into how demographic trends might affect housing in Damascus.

This section reviews historical demographic trends in Clackamas County and the Portland Region. Demographic trends provide a broader context for growth in a region; factors such as age, income, migration and other trends show how communities have grown and shape future growth. The 2010 US Census contains information about Damascus, but because earlier data is not available, historic data about Damascus is not always included. In these cases, it is assumed that current residents of Damascus are similar to residents of Clackamas County and will continue to be similar to residents of Clackamas County in the future.

POPULATION TRENDS

Prior to incorporation, Damascus was part of Metro's regional UGB expansion analysis. With the inclusion of the Damascus area within the Metro UGB, Metro assumed that Damascus would accommodate some portion of regional population and housing growth.

Table 3-2 shows population growth trends in Oregon, the Portland Region, and selected counties from 1990 to 2010.

- **The Portland Region is growing.** The Portland Region grew from approximately 1.5 million people in 1990 to over 2.2 million people in 2010, an increase of more than 702,000 people over the twenty-year period. Between 2000 and 2010, the Portland Region grew by more than 298,000 people at an average annual rate of 1.5%.
- **Since 1990 the focus of population growth has shifted away from Multnomah County.** Between 1990 and 2010, population in Multnomah County increased at an average annual rate of 1.2%, compared to an average annual rate of 2.4% in Clark, Washington, and Clackamas Counties. These three counties have not only experienced faster growth but experienced more population growth in real terms than Multnomah County.
- **Clackamas County grew more slowly than the Region.** Between 1990 and 2010, Clackamas County grew by about 97,000 people at an average rate of 1.5% annually. Population growth in Clackamas County accounted for about 14% of all growth in the Portland Region.

Table 3-2 Population growth trends, Oregon, Willamette Valley, Portland Region, and selected counties, 1990-2010

Area	Population			Change 1990 to 2010		
	1990	2000	2010	Number	Percent	AAGR
Oregon	2,842,321	3,421,399	3,831,074	988,753	35%	1.5%
Willamette Valley	1,962,816	2,380,606	2,684,933	722,117	37%	1.6%
Portland-Van.-Hills MSA	1,523,741	1,927,881	2,226,009	702,268	46%	1.9%
Multnomah County	583,887	660,486	735,334	151,447	26%	1.2%
Washington County	311,554	445,342	529,710	218,156	70%	2.7%
Clark County	238,053	345,238	425,363	187,310	79%	2.9%
Clackamas County	278,850	338,391	375,992	97,142	35%	1.5%
Damascus	n/a	n/a	10,539	n/a	n/a	n/a

Source: U.S. Decennial Census, 1990, 2000, 2010

Between 2010 and 2020, about two-thirds of Oregon's total population growth is projected to be from net migration (in-migration minus out-migration), with the remaining one-third from natural increase (births minus deaths).⁷ This is a similar to the rates of in-migration during the 1990s when 70% of population growth was from net migration.

Migrants to Oregon tend to have many characteristics in common with existing residents, with some differences—recent in-migrants to Oregon are, on average, younger and more educated, and are more likely to hold professional or managerial jobs, compared to Oregon's existing population. The race and ethnicity of in-migrants generally mirrors Oregon's established pattern, with one exception: Hispanics make up more than 19% of in-migrants but only 11% of the

⁷ Office of Economic Analysis "Short-Term State Population Forecast through 2020."
<http://www.oregon.gov/DAS/OEA/docs/economic/appendixc.pdf>

state's population.⁸ The number-one reason cited by in-migrants for coming to Oregon was family or friends, followed by quality of life and employment.⁹

Migration has historically been a significant component of population growth in Clackamas County. Seventy-two percent of population growth in Clackamas County between 1990 and 2000 was from in-migration. This figure dropped slightly to 67% for the 2000-2010 period and is forecasted to decrease to 66% during the 2010-2020 period, likely because of the lingering effects of the recession.¹⁰

The Census collects information about migration. Census data show that residents of Damascus were less mobile than residents of the Portland Region or Clackamas County. Table 3-3 shows that for 2007-2011, 96% of Damascus residents lived in the same house in the year before, compared to 86% of residents of the Clackamas County and 83% of residents of the Portland Region. This may reflect an older and more stable population.

Residents of Damascus and Clackamas County that moved were less likely to have lived in a different county than residents of the Portland Region. The implication is that Clackamas County and Damascus experienced a smaller share of its growth from migration than the region.

Table 3-3. Place of residence in the previous year, Portland Region, Clackamas County, and the City of Damascus, 2007-2011

Location	Portland Region		Clackamas County		Damascus	
	Persons	Percent	Persons	Percent	Persons	Percent
Population 1 year and older	2,175,117	100%	369,594	100%	10,294	100%
Same house 1 year ago	1,797,830	83%	318,929	86%	9,933	96%
Different house 1 year ago	377,287	17%	50,665	14%	361	4%
Same county	215,816	10%	25,871	7%	152	1%
Different county	161,471	7%	24,794	7%	209	2%
Same state	69,504	3%	15,858	4%	177	2%
Different state	78,347	4%	7,647	2%	23	0%
Abroad	13,620	1%	1,289	0%	9	0%

Source: U.S. Census American Community Survey 2007-2011, B07003

⁸ US Census, American Community Survey, 2006-2010.

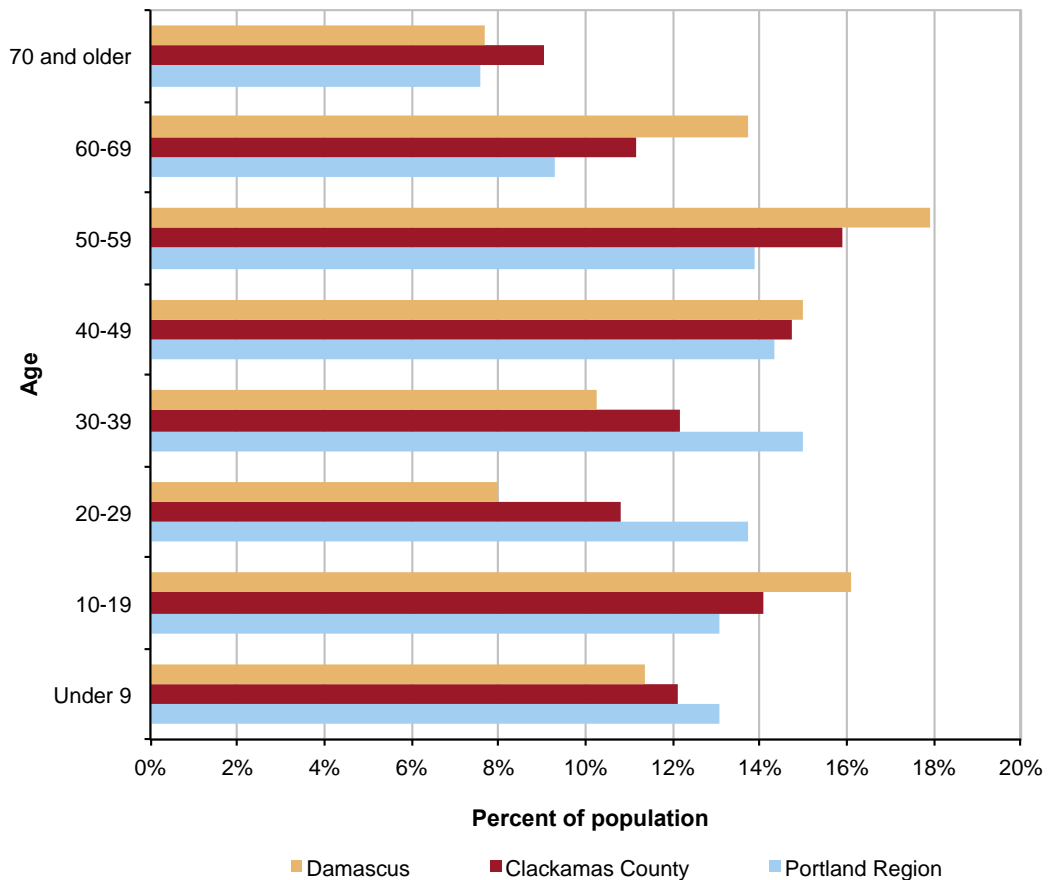
⁹ State of Oregon, Employment Department. 1999. 1999 Oregon In-migration Study.

¹⁰ Forecast of Oregon's County population and Components of Change prepared by Oregon Office of Economic Analysis. Estimates by Portland State University Population Research Center. Base population of July 1, 2000 and released in April 2004.

AGE CHANGES

Figure 3-1 shows the age distributions of the Portland Region, Clackamas County and Damascus for 2010. Compared with the Portland Region, Damascus had a larger share of older residents and a slightly smaller share of younger people than the region as a whole. The Portland Region had a larger share of people aged 30 to 49 years: 29% of the population compared to 27% of the population for Clackamas County and 25% for Damascus. Damascus had a smaller share of residents in their twenties (8%) than the county (11%) or the region (14%).

Figure 3-1. Population distribution by age, Portland Region, and Clackamas County, and Damascus 2010



Source: U.S. Census 2010, P12

Table 3-4 shows change in age distribution in Clackamas County between 1990 and 2011.¹¹ The data show that Clackamas County grew by over 101,000 people between 1990 and 2011, an increase of 36%. The age breakdown shows that the County experienced an increase in population for all age groups except the 25 to 44 year age group.

Consistent with state and national trends, the fastest growing groups were 45 to 64 and 65 and over. In Clackamas County, the share of residents aged 45 to 64 increased by 10 percentage points over the 21-year period. The share of residents under 24 decreased from 35% of total population in 1990 to 31% in 2011.

Table 3-4. Population by age, Clackamas County, 1990-2011

Age Group	1990		2011		Change		
	Number	Percent	Number	Percent	Number	Percent	Share
Under 5	19,394	7%	21,216	6%	1,822	9%	-1%
5-17	55,009	20%	66,873	18%	11,864	22%	-2%
18-24	22,414	8%	30,056	8%	7,642	34%	0%
25-44	93,370	33%	92,485	24%	-885	-1%	-9%
45-64	56,674	20%	115,822	30%	59,148	104%	10%
65 and over	31,989	11%	53,755	14%	21,766	68%	3%
Total	278,850	100%	380,207	100%	101,357	36%	-

Source: U.S. Census 1990 P011, American Community Survey 2011 B01001.

ETHNICITY TRENDS

Table 3-5 shows change in the number of persons of Hispanic or Latino origin for the Portland Region and Clackamas County for 1990, 2000, and 2010 and Damascus for 2010. The Hispanic population in the Clackamas County grew from 2.6% of total population in 1990 to 7.7% in 2010. From 2000 to 2010, the Hispanic population in Clackamas County increased at a faster rate than regional average, increasing by 74% in the County compared to an increase of 70% in the region. These trends are similar to national trends of the increasing Hispanic population.

In 2010, Damascus was less ethnically diverse than the County or the Region. In 2010, Hispanics accounted for 4.4% of the population of the City of Damascus, compared with 7.7% of Clackamas County and 10.9% of the Portland Region. Hispanic population has been growing in the entire Portland Region throughout the 1990's and the 2000's.

¹¹ Historical Census information is not available for Damascus, as Damascus was not a recognized Census place until after the City incorporated.

Table 3-5. Persons of Hispanic or Latino origin, Portland Region, Clackamas County, and Damascus 1990, 2000, and 2010

	Portland Region	Clackamas County	City of Damascus
1990			
Total Population	1,239,842	278,850	
Hispanic or Latino	44,049	7,129	
Percent Hispanic or Latino	3.6%	2.6%	
2000			
Total Population	1,918,009	338,391	
Hispanic or Latino	142,444	16,744	
Percent Hispanic or Latino	7.4%	4.9%	
2010			
Total Population	2,226,009	375,992	10,539
Hispanic or Latino	241,844	29,138	467
Percent Hispanic or Latino	10.9%	7.7%	4.4%
Change 1990-2010			
Hispanic or Latino	197,795	22,009	
Percent Hispanic or Latino	449%	309%	
Change 2000-2010			
Hispanic or Latino	99,400	12,394	
Percent Hispanic or Latino	70%	74%	

Source: U.S. Census, 1990, 2000 and 2010

HOUSEHOLD COMPOSITION

Table 3-6 shows household characteristics of the Portland Region, Clackamas County, and the City of Damascus for 2007-2011. Table 3-6 shows the following trends for Damascus, compared to the county and the region:

- **Higher homeownership rates.** Ninety-three percent of Damascus homes were owner-occupied, compared to 70% in Clackamas County and 63% in the Portland Region.
- **Larger households.** Damascus had larger average household sizes than Clackamas County or the region. The average household in Damascus had 2.99 people for 2007-2011, compared to 2.69 in Clackamas County and 2.66 in the Portland Region.
- **Higher incomes.** Median household income in Damascus was higher than in Clackamas County or the Portland Region. Damascus had a median household income of nearly \$88,000 for 2007-2011, 46% larger than median household income for the Portland Region and 31% larger than median household income for the County. Other measures of income, including median family and per capita income, were also higher in Damascus.

Table 3-6. Household characteristics of the Portland Region, Clackamas County, and the City of Damascus, 2007-2011

	Portland Region	Clackamas County	City of Damascus
Owner occupied	63%	70%	93%
Renter occupied	37%	30%	7%
Average household size	2.66	2.69	2.99
Median household income	\$57,307	\$63,790	\$83,772
Median family income	\$70,093	\$75,850	\$87,978
Per capita income	\$29,736	\$32,382	\$32,969

Source: American Community Survey 2007-2011

Table 3-7 shows household types in 2010 for the Portland Region, Clackamas County, and the City of Damascus. Thirty-three percent of Damascus households had children, slightly more than Clackamas County or the Portland Region (both 30%).

In comparison with the county and the region, Damascus had fewer non-families (18% in Damascus, 31% in Clackamas County, and 37% regionally). Damascus had fewer single-person households (12%) compared with Clackamas County (24%) or the Portland Region (27%).

Table 3-7. Household types in the Portland Region, Clackamas County, and the City of Damascus, 2010

Household Type	Portland Region		Clackamas County		Damascus	
	Number	Percent	Number	Percent	Number	Percent
Households with children	256,004	30%	43,681	30%	1,213	33%
Married couples	181,737	21%	32,198	22%	1,032	29%
Female householder, no husband present	53,301	6%	7,992	5%	110	3%
Other families	20,966	2%	3,491	2%	71	2%
Households without children	611,790	70%	102,109	70%	2,408	67%
Married couples	237,945	27%	47,658	33%	1,592	44%
Other families	57,059	7%	9,527	7%	179	5%
Nonfamilies	316,786	37%	44,924	31%	637	18%
Total Households	867,794	100%	145,790	100%	3,621	100%
Average Household Size	2.52		2.56		2.90	
Average Family Size	3.08		3.04		3.16	

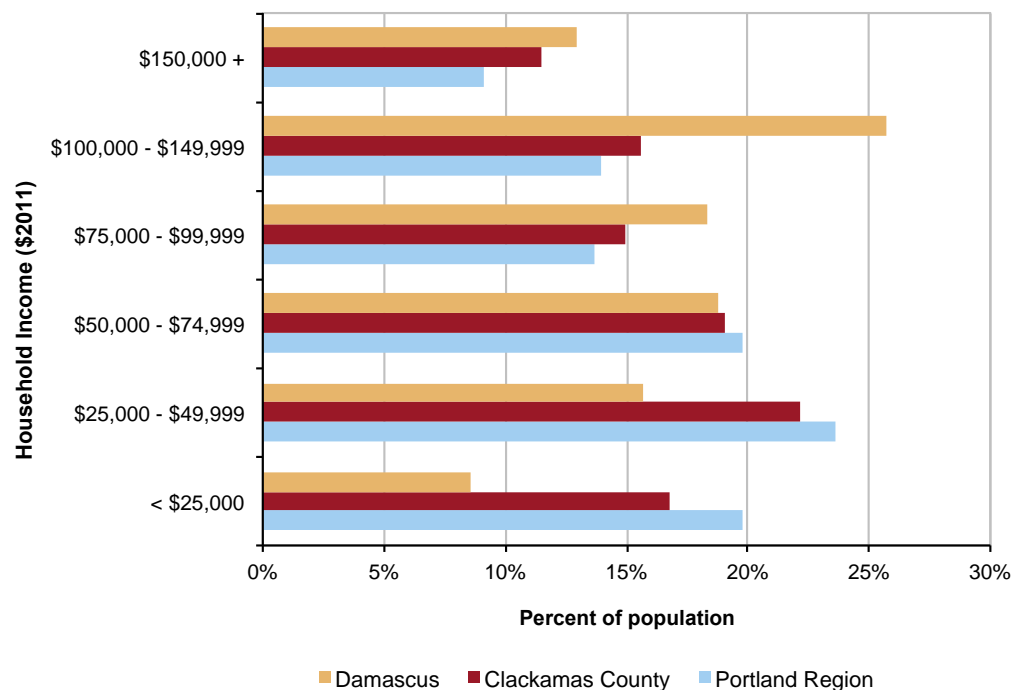
Source: U.S. Census 2010, H12, DP-1

INCOME

Income is one of the key determinants in housing choice and households' ability to afford housing. Income in Damascus has historically been higher than the regional average. According to the 2007-2011 American Community Survey, median household income in Damascus was \$83,772, 31% more than median household income in Clackamas County (\$63,790) and 46% more than the regional median (\$57,307).

Figure 3-2 shows distribution of annual household income for the Portland Region, Clackamas County, and Damascus for 2007-2011. The data show that a larger percentage of Damascus households were in the higher earning brackets than in Clackamas County or in the Portland Region. Thirty-nine percent of Damascus households earned over \$100,000 a year, compared with 27% of Clackamas County residents and 23% of Portland Region residents. Nine percent of Damascus households earned less than \$25,000, compared with 17% of Clackamas County households and 20% of households in the region.

Figure 3-2. Annual household income, the Portland Region, Clackamas County, and Damascus, 2007-2011

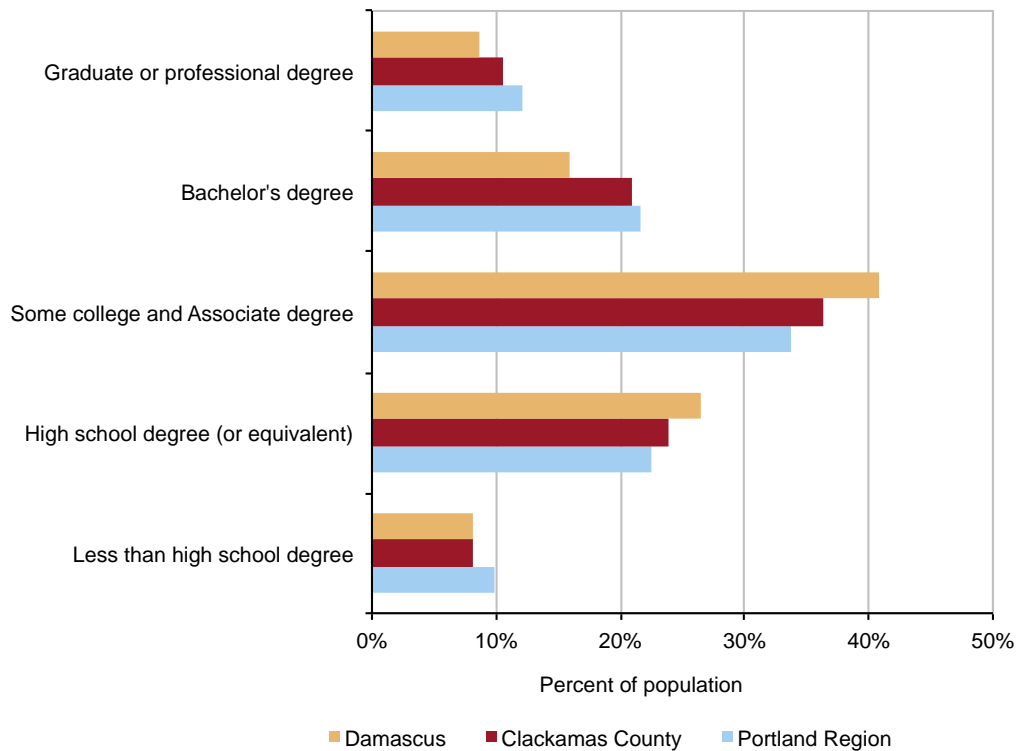


Source: American Community Survey 2007-2011, B19001.

EDUCATIONAL ATTAINMENT

Figure 3-3 shows educational attainment for residents of Damascus, Clackamas County, and the Portland Region for 2007-2011. Similar shares of Damascus residents had some college (65%) as residents of the Clackamas County and the Portland Region (both 68%). Thirty-four percent of Damascus residents had a college degree of any kind, compared with 40% for Clackamas County residents and 42% for residents of the Portland Region.

Figure 3-3. Educational attainment of residents 25 years and older of the Portland Region, Clackamas County, and the City of Damascus, 2007-2011

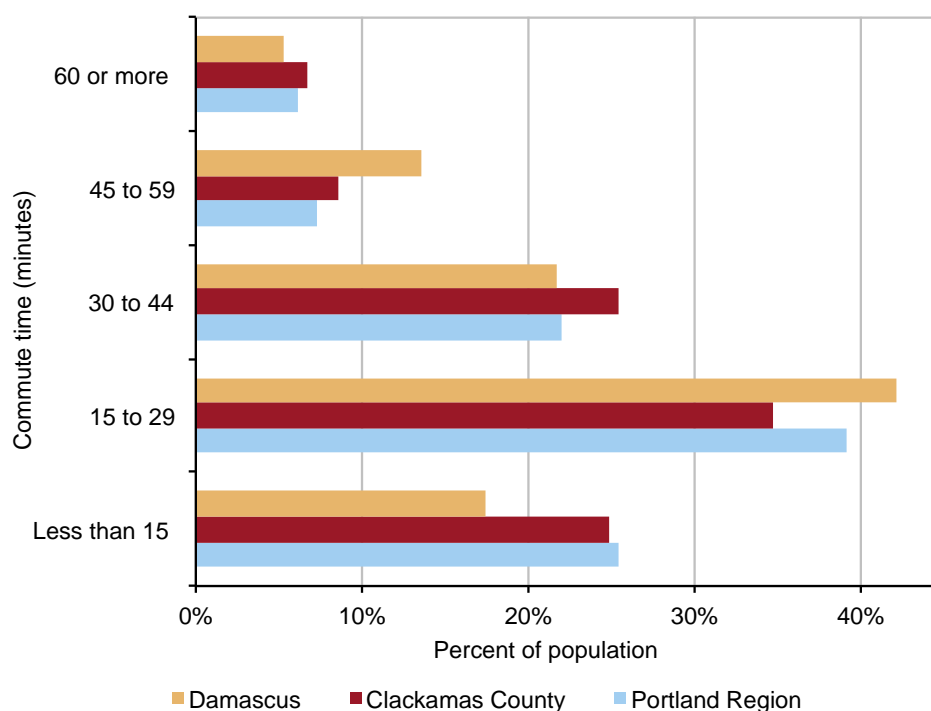


Source: American Community Survey 2007-2011

COMMUTING TRENDS

According to the 2007-2011 American Community Survey and 2010 data from the Local Employment Dynamics program of the US Census, residents of Damascus were likely to live and work in different parts of the region. Figure 3-4 shows commute time for residents of the Portland Region, Clackamas County, and Damascus for 2007-2011. Residents of Damascus typically had longer commutes than the regional average. Nineteen percent of Damascus residents commute 45 minutes or longer, compared to 14% of residents of the Portland Region or 15% of Clackamas County residents. In the region and Clackamas County, 25% of residents commute less than 15 minutes; in comparison, 17% of Damascus residents have commutes of less than 15 minutes.

Figure 3-4. Commute times for Portland Region, Clackamas County and Damascus, 2007-2011



Source: U.S. Census American Community Survey, 2007-2011

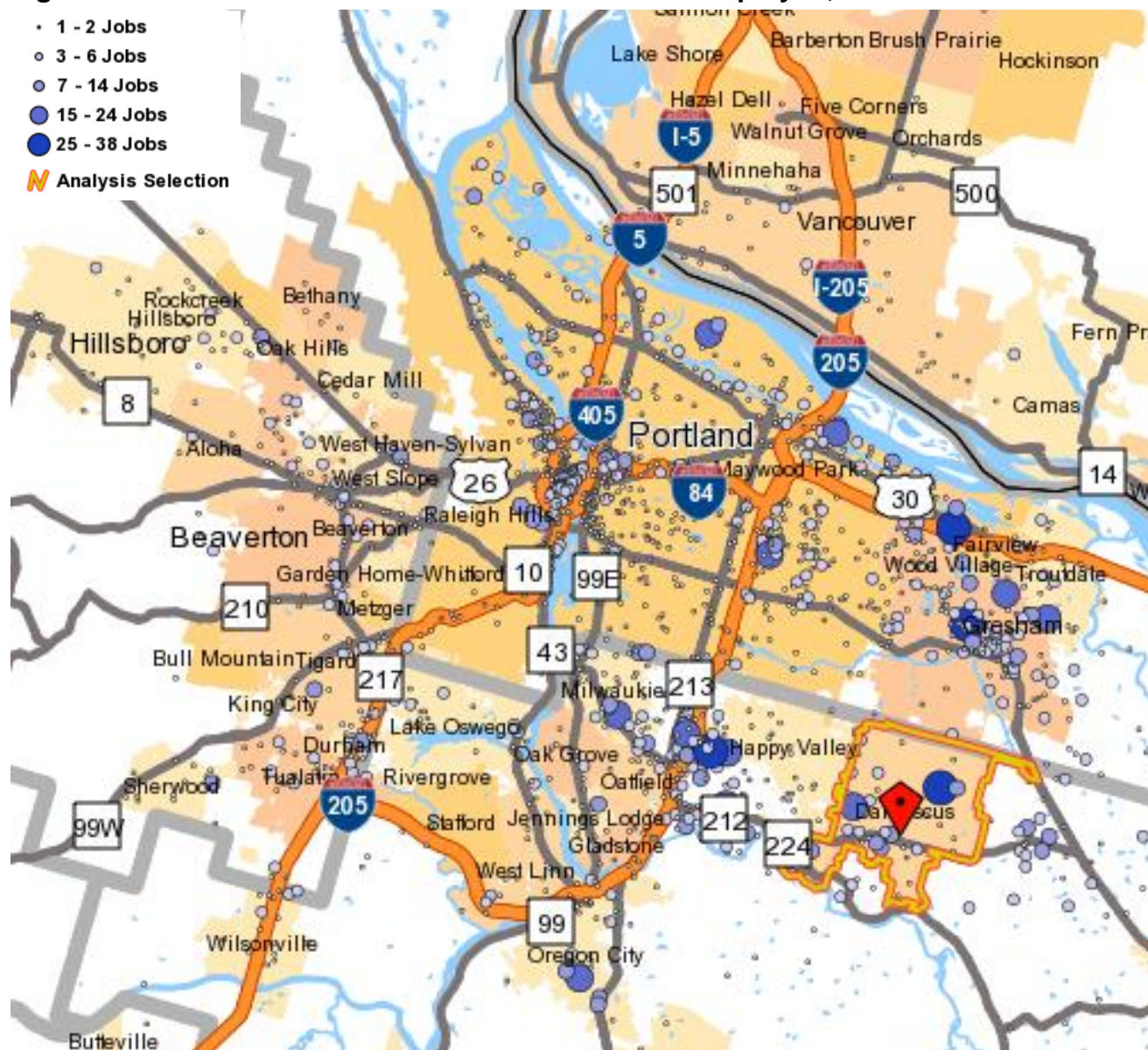
Figure 3-5 and Table 3-8 show where residents of Damascus worked in 2010. Figure 3-5 and Table 3-8 show that Damascus residents work throughout the Portland metropolitan area, with the largest concentrations in Portland and Gresham. Four percent of people who live in Damascus also work in Damascus.

Table 3-8. Places where residents of Damascus were employed, 2010

Location	Number	Percent
Multnomah County	826	59%
Portland	636	45%
Gresham	146	10%
Clackamas County	406	29%
Oregon City	38	3%
Washington County	116	8%
Tigard	28	2%
All other locations	58	4%
Total	1,406	100%

Source: OnTheMap, Center for Economic Studies, Local Employment Dynamics, US Census Bureau

Figure 3-5. Places where Damascus residents were employed, 2010



Source: OnTheMap, Center for Economic Studies, Local Employment Dynamics, US Census Bureau

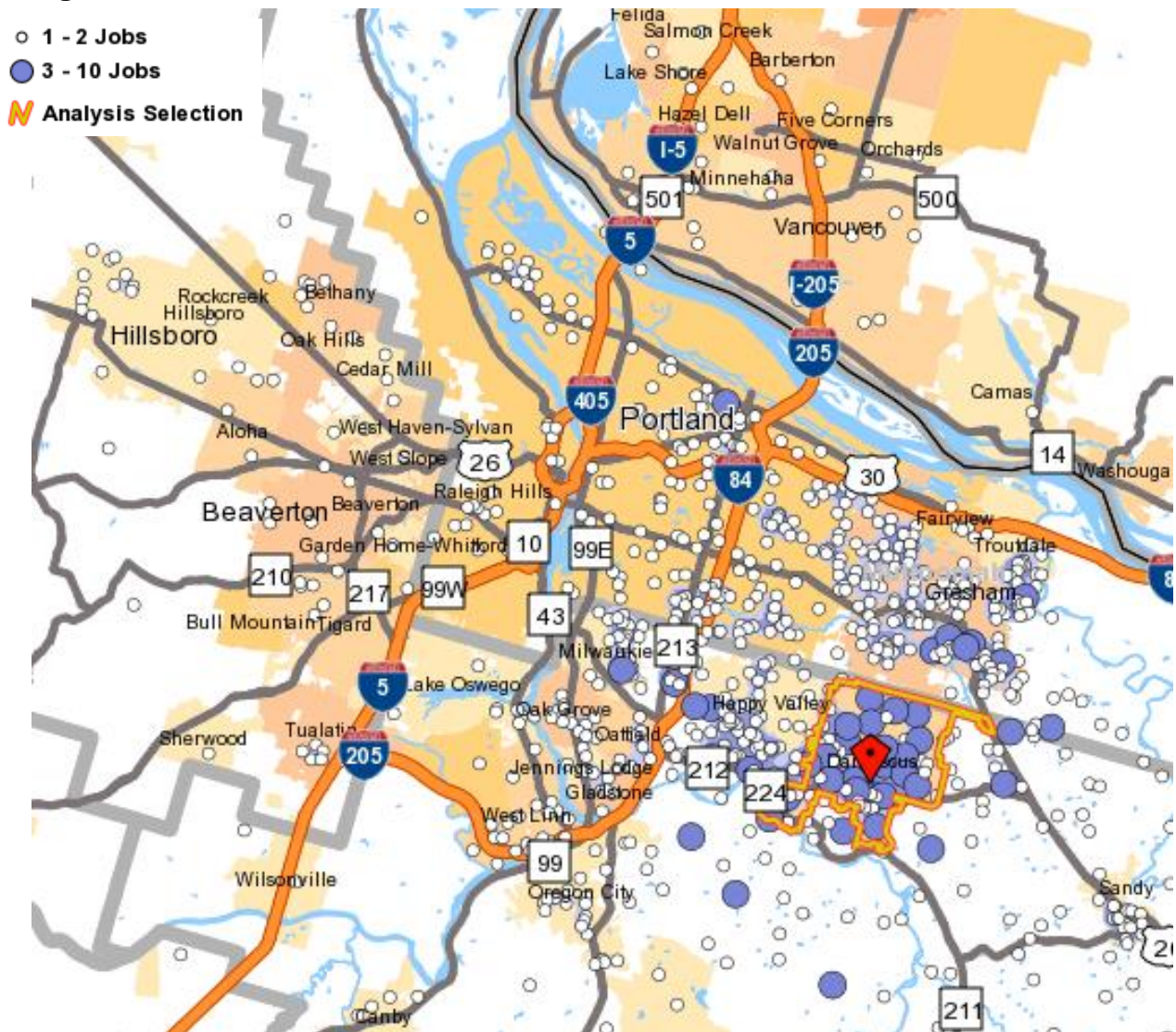
Figure 3-6 and Table 3-9 show where employees of firms located in Damascus lived in 2010. Forty-six percent of workers employed in Damascus lived in Clackamas County. Thirty-three percent of workers in Damascus lived in Multnomah County. About 13% of workers employed in Damascus lived in Damascus as well.

Table 3-9. Places where workers in Damascus lived, 2010

Location	Number	Percent
Clackamas County	574	46%
Damascus	163	13%
Happy Valley	34	3%
Multnomah County	418	33%
Portland	223	18%
Gresham	148	12%
Troutdale	25	2%
Washington County	68	5%
Marion County	35	3%
Other locations in Oregon	90	7%
Out-of-State	73	6%
Total	1,258	100%

Source: OnTheMap, Center for Economic Studies,
Local Employment Dynamics, US Census Bureau

Figure 3-6. Places where workers in Damascus lived, 2010



Source: OnTheMap, Center for Economic Studies, Local Employment Dynamics, US Census Bureau

The data presented in this section show that Damascus' workforce lived throughout the eastern part of the Portland metropolitan area, but many did not reside in Damascus. Residents of Damascus were more likely to work in Portland and Gresham than in Damascus. This situation has interesting implications for commuting patterns, and suggests that many Damascus residents travel out of Damascus in the morning and into Damascus in the evenings, at the same time that many people who are employed in Damascus travel into the City in the morning, and out in the evenings.

As employment and housing opportunities expand in Damascus, some residents may prefer to live within Damascus rather than commute. If people continue to be willing to commute within the Portland Region, Damascus may experience an increase in demand for housing as a result of regional economic growth. Both types of growth are likely to increase the demand for a wide variety of housing types in Damascus.

SUMMARY AND KEY FINDINGS

Studies and data analysis have shown a clear linkage between demographic characteristics and housing choice. This is more typically referred to as the linkage between life-cycle and housing choice and is documented in detail in several publications. Analysis of data from the Public Use Microsample (PUMS) in the 2000 Census helps to describe the relationship between selected demographic characteristics and housing choice. Key relationships identified through this data include:

- Homeownership rates increase as income increases;
- Homeownership rates increase as age increases;
- Choice of single-family detached housing types increases as income increases;
- Renters are much more likely to choose multiple family housing types than single-family; and
- Income is a stronger determinate of tenure and housing type choice for all age categories.

Understanding demographic and household characteristics is an important part of a housing needs assessment. Chapter 5 provides a discussion of the impact on age and income on housing choices. This chapter provides demographic information about the Damascus and the region that will significantly affect the housing needs for the city:

- *Age.* Median age in Damascus was 43 in 2010, older than Clackamas County, which had a median age of 41. Forty-eight percent of residents were over age 45, compared to 44% in Clackamas County. Damascus also had a smaller percentage of the population in the 18 to 44 age group than Clackamas County (27% for Damascus and 32% for Clackamas County).
- *Household size and type.* Damascus had a slightly larger share of households with children and a much larger average household and family size than Clackamas County or the Portland Region. The average household size in Damascus was approximately 2.9 in 2010; in Clackamas County, it was 2.56 and in the Portland Region it was 2.52. The average family size was more consistent among these geographies: in Damascus it was 3.16 in 2010, compared with 3.04 in Clackamas County and 3.08 across the region.
- *Race and Ethnicity.* Damascus was less ethnically and racially diverse than Clackamas County or the Portland Region. In 2010, 91% of Damascus' residents reported being white alone, compared with 88% of Clackamas County residents and 81% of residents of the Portland Region. About 4.4% of Damascus' residents were Hispanic in 2010, compared with 7.7% of Clackamas County residents and 10.9% of residents of the Portland Region.

- *Mobility.* Residents of Damascus moved less than residents of Clackamas County and the Portland Region. An estimated 96% of residents of Damascus in 2007-2011 lived in the same house for the previous year, compared to 86% of Clackamas County residents and 83% of the residents of the region.
- *Income.* Residents of Damascus had higher income than residents of Clackamas County and the Portland Region. The estimated median household income in Damascus for 2007-2011 was \$83,772, higher than Clackamas County (\$63,790) or the Portland Region (\$57,307). Damascus residents also had higher median family income and per capita income than residents of the County or the region.
- *Education.* Residents of Damascus had similar levels of educational achievement to residents of Clackamas County and the Portland Region. For 2007-2011, 65% of Damascus residents had completed some college, or received an associate, bachelor, or graduate degree, compared with 68% of residents of both Clackamas County and the Portland Region.
- *Commuting.* Residents of Damascus were more likely to work in Portland and Gresham than in Damascus. In 2010, nearly 60% of Damascus' residents worked in Multnomah County and nearly 30% worked in Clackamas County. Relatively few residents of Damascus also worked in Damascus.

In summary, Damascus historically has been an affluent rural residential area with highly educated professionals that work in other areas of the Portland Region. This demographic profile will begin to change as more urban-density housing is built, as a broader range of housing options are available, and as more employment opportunities emerge. The City can expect a more diverse population and household sizes will decrease, median incomes decrease, and the percentage of individuals with a college degree will decrease. In short, the City can expect a shift toward a demographic profile that more closely mirrors Clackamas County.

Housing Market Conditions

This chapter presents data on housing market conditions in the Portland Region, Clackamas County, and Damascus. The housing market in Damascus will be influenced by the regional housing market, as Damascus develops as a sub-market of the broader region. This chapter describes market conditions within Damascus including: (1) national housing trends that affect market conditions in the Portland Region, (2) region and local supply of housing units; (3) regional housing market trends; (4) housing affordability problems within the region; and (5) regional housing needs.

NATIONAL HOUSING TRENDS

The evaluation of housing trends that follows is based on previous research conducted by ECONorthwest for other housing needs studies as well as new research to update the evaluation of trends that may affect housing mix, including conclusions from The State of the Nation's Housing, 2012 report from the Joint Center for Housing Studies of Harvard University.

“After several false starts, there is reason to believe that 2012 will mark the beginning of a true housing market recovery. Sustained employment growth remains key, providing the stimulus for stronger household growth and bringing relief to some distressed homeowners. Many rental markets have already turned the corner, giving a lift to multifamily construction but also eroding affordability for many low-income households. While gaining ground, the homeowner market still faces multiple challenges. If the broader economy weakens in the short term, the housing rebound could again stall.”

The national housing market continues to suffer from a large backlog of foreclosed homes, large numbers of ‘underwater’ mortgages, and high vacancy rates. The eventual recovery of the national housing market is dependent on near-term resolution of outstanding foreclosures and long-term job growth and expansion of the economy.

This evaluation presents a mixed outlook for housing markets with some signs of improvement in the jobs sector countered by the difficulty of acquiring new loans and reduced expectations for household growth. Following are some other relevant findings from the 2011 and 2012 Harvard reports:

- The last seven years saw a continuation of the significant departure from the recent housing boom that had lasted for 13 consecutive years (1992-2005). By 2007 and early 2008, housing market problems had reached the rest of the economy, resulting in a nationwide economic slowdown and recession. The slowdown has continued through 2012, although the national housing market shows signs of recovery.

- The housing downturn and recovery in the late 2000's is weaker than any housing cycle since the 1970's. Most notably, housing starts have been below 1 million units per year since 2009, with little of the rebound present after housing troughs in other decades.
- The number of delinquent loans or home foreclosures has begun to decrease, although a large number of homes remain in foreclosure proceedings. The number of loans 90 days or more delinquent decreased since its peak in late 2009. The backlog of loans in the foreclosure process decreased only slightly between late 2009 and 2012.
- Since 2008, foreclosures have contributed to sharp decrease in housing prices, leaving roughly 11.1 million homeowners underwater on their mortgages (where the value of the house is less than the owner's mortgage). These loans equate to \$717 billion in negative equity.
- Homeownership peaked at 69.9% in 2005. After 13 successive years of increases, the national homeownership rate slipped each year from 2005 to 2011 and was at 65.4% in the first quarter of 2012. The Joint Center for Housing Studies predicts that the homeownership rate will continue to decline in the near-term due to the foreclosure backlog and tight credit conditions.
- Nationally, the rental market continues to experience growth, adding 1.0 million rental households in 2011 and averaging 730,000 new rental households per year from 2005 through 2011. After an increase in the overall rental vacancy rate from 9.6% in 2007 to 10.6% in 2009, the rental market has begun to tighten. The rental vacancy rate fell to 9.5% in 2011.
- Despite decades of growth and the recent decline in vacancy rates, rents have failed to keep pace with inflation. Between the peak in late 2008 and April 2010, inflation-adjusted rents fell by 2.9%. Between 2010 and 2011, inflation-adjusted rents decreased by 1.5%.
- House prices declined since the height of the housing bubble. Between October 2005 and March 2010, the median house price decreased by 26 percent. The price declines were about 50% greater than price declines at the high end of the housing market. The median home sales price dropped from 4.7 times the median household income in 2005 to 3.4 times median household income in 2009.
- In 2011, for the first time since the early 1970's, monthly housing costs for mortgages on the typical home are less costly than the average rental unit.
- In 2010, more than one-third of American households spent more than 30% of income on housing, and 18% spent upwards of 50%.¹² The number of severely cost-burdened households (spending more than 50% of income on housing) increased by 6.4 million households from 2001 to 2010, to a

¹² 2010 American Community Survey, Table B25091 and Table B25070.

total of nearly 20.2 million households in 2010. In 2010, there was a 5.1 million unit gap between supply and demand for affordable housing units.

- Immigration will play a key role in accelerating household growth over the next 10 years. About 40% of the fall-off in household growth between 2007 and 2011 was due to a drop in immigration. Immigrants have traditionally comprised a growing share of young adults and children in the United States, but the number of foreign-born households under the age of 35 decreased by 338,400 between March 2007 and March 2009, compared to just 2,100 native-born households.
- The largest generation of people in the U.S. is the Echo Boomers, with about 85 million people in 2010. The Echo Boom generation is likely to grow even larger as new immigrants arrive. The oldest Echo Boomers turned 25 in 2010 and are beginning to form households. Echo Boomers will be the primary driver of growth in new households over the next twenty years.
- An aging population, and of baby boomers in particular, will drive changes in the age distribution of households in all age groups over 55 years. Second home demand among upper-income homebuyers of all ages also continues to grow, many of whom may be younger baby boomers. The ability to purchase second homes may be negatively affected by diminished earnings and lack of equity in primary homes. A recent survey of baby boomers showed that more than a quarter plan to relocate into larger homes and 5% plan to move to smaller homes.
- The younger baby boomers face challenges resulting from the decrease in housing values, which has left many households with mortgages that are higher than the worth of the house. It may take years for the value of these houses to equal or exceed the value of the mortgage.

Appendix B contains a more detailed summary of national housing trends.

REGIONAL AND LOCAL SUPPLY OF HOUSING UNITS

The supply of housing units in the Portland Region will affect development of housing in Damascus. The mix of housing and tenure in the Portland Region and Clackamas County provides information about the way that Damascus' housing market may develop over the planning period.

Table 4-1 shows change in housing mix and tenure in the Portland Region between 2000 and 2011. The region added more than 191,000 dwelling units over the eleven-year period. The majority of the new dwellings (75%) were single-family types, including attached and detached units. The number of manufactured and mobile homes decreased by over 3,100 units over the eleven-year period. Homeownership decreased from 62% to 61% of dwelling units, at least partially as a result of the foreclosure crisis that forced former homeowners into rental units.

Table 4-1. Change in housing mix and tenure, Portland Region, 2000 to 2011

	2000		2011		Change 2000-2011	
	Number	Percent	Number	Percent	Number	Percent
Total Housing Units	738,458	100%	930,446	100%	191,988	26%
Single-family	484,772	66%	628,164	68%	143,392	30%
Multifamily	220,441	30%	265,858	29%	45,417	21%
Manufactured/Mobile	33,245	5%	36,424	4%	3,179	10%
Occupied Housing Units	696,669	100%	872,423	100%	175,754	25%
Owner Occupied	433,904	62%	530,331	61%	96,427	22%
Renter Occupied	262,765	38%	342,092	39%	79,327	30%

Source: U.S. Census, 2000 and U.S. Census American Community Survey, 2011 B25003, B25024

Table 4-2 shows change in housing mix and tenure in Clackamas County between 2000 and 2011. The County added more than 20,000 dwelling units over the eleven-year period, 96% of which were single-family types, including attached and detached units. Only about 11% of new units in Clackamas County were multi-family units, compared to the regional average of 24% of new units. The number of manufactured and mobile homes decreased by over 1,300, a 12% decline. Although homeownership decreased in Clackamas County over the eleven-year period, from 71% to 67%, homeownership remained well above the regional average of 61%.

Table 4-2. Change in housing mix and tenure, Clackamas County, 2000 to 2011

	2000		2011		Change 2000-2011	
	Number	Percent	Number	Percent	Number	Percent
Total Housing Units	136,954	100%	157,798	100%	20,844	15%
Single-family	95,721	70%	115,693	73%	19,972	21%
Multifamily	29,690	22%	31,897	20%	2,207	7%
Manufactured/Mobile	11,543	8%	10,208	6%	-1,335	-12%
Occupied Housing Units	128,201	100%	145,971	100%	17,770	14%
Owner Occupied	91,145	71%	98,357	67%	7,212	8%
Renter Occupied	37,056	29%	47,614	33%	10,558	28%

Source: U.S. Census 2000 and U.S. Census American Community Survey 2011 B25003, B25024

As Damascus develops to more urban densities over the planning period, its housing mix and tenure will gradually begin to resemble the mix and tenure of the cities in the Portland Region more and rural Clackamas County less. Table 4-3 shows the housing mix and tenure in the cities of Portland and Gresham in 2011. These cities have similar shares of single-family type dwelling units and multifamily units, but Gresham had more manufactured units than Portland. Homeownership rates were similar in the cities and well below the average homeownership rate for the Portland Region.

Table 4-3. Housing mix and tenure, the Cities of Portland and Gresham, 2011

	City of Portland		City of Gresham	
	Number	Percent	Number	Percent
Total Housing Units	265,946	100%	41,931	100%
Single-family	157,352	59%	24,315	58%
Multifamily	105,814	40%	16,125	38%
Manufactured/Mobile	2,780	1%	1,491	4%
Occupied Housing Units	250,828	100%	40,116	100%
Owner Occupied	128,055	51%	21,581	54%
Renter Occupied	122,773	49%	18,535	46%

Source: U.S. Census American Community Survey 2011, B25003, B25024

Table 4-4 shows housing mix and tenure for Damascus from the 2007-2011 American Community Survey. Damascus' housing mix and tenure were different from Portland and Gresham or Clackamas County. For 2007-2011, about 90% of housing units were single-family, well above the regional average of 68%. Homeownership rates were 93%, much higher than for Clackamas County (67%) or the Portland Region (61%).

**Table 4-4. Housing mix and tenure,
Damascus, 2007-2011**

	City of Damascus	
	Number	Percent
Total Housing Units	3,606	100%
Single-family	3,240	90%
Multifamily	0	0%
Manufactured/Mobile	366	10%
Occupied Housing Units	3,525	100%
Owner Occupied	3,289	93%
Renter Occupied	236	7%

Source: U.S. Census American Community Survey 2007-2011,
B25003, B25024

REGIONAL HOUSING MARKET TRENDS

Housing market trends in the Portland Region are a function of regional growth and the demographic characteristics of existing and new households in the region. Damascus will be a sub-market of the broader region. The following trends describe growth in the housing market, tenure, housing prices, housing characteristics, and the rental market.

CHARACTERISTICS OF HOUSING UNITS

Table 4-5 presents characteristics of occupied housing units in the region, Clackamas County, and Damascus for 2007-2011. In general, housing unit characteristics in Clackamas County conformed well to the characteristics in the region as a whole. Some differences do emerge, however. Detached homes made up 70% of all units in Clackamas, compared to 63% in the region. Detached homes in Clackamas County also made up a slightly larger share of rental units. In addition, homes in the county tended to be larger, with 58% having six or more rooms, compared to 51% in the region.

In comparison with Clackamas County and the region, Damascus had more detached homes, newer housing stock, and larger homes. According to the 2007-2011 American Community Survey, all homes in Damascus had 4 or more rooms and 85% had 6 or more rooms.

Table 4-5. Housing Unit Characteristics, Portland Region, Clackamas County, and Damascus, 2007-2011

	Portland Region			Clackamas County			Damascus		
	All occupied units	Owner occupied	Renter occupied	All occupied units	Owner occupied	Renter occupied	All occupied units	Owner occupied	Renter occupied
Units in Structure									
1, detached	63%	86%	24%	70%	88%	28%	89%	92%	48%
1 to 9 apartments	18%	7%	36%	13%	4%	32%	1%	0%	9%
10 or more apartments	15%	2%	37%	11%	1%	36%	0%	0%	0%
Mobile home or other	4%	5%	2%	6%	7%	4%	10%	8%	42%
Year Built									
2000 or later	15%	16%	14%	14%	15%	12%	20%	20%	13%
1990 to 1999	20%	20%	19%	21%	20%	23%	17%	16%	30%
1989 or earlier	65%	64%	67%	65%	65%	65%	64%	64%	57%
Bedrooms									
No bedroom	2%	0%	5%	1%	0%	4%	0%	0%	0%
1 bedroom	11%	2%	25%	8%	2%	23%	1%	0%	5%
2 or 3 bedrooms	66%	67%	64%	65%	64%	67%	57%	57%	55%
4 or more bedrooms	21%	30%	6%	26%	34%	6%	43%	43%	40%
Total Rooms									
1 room	2%	0%	4%	1%	0%	3%	0%	0%	0%
2 or 3 rooms	12%	3%	27%	9%	2%	26%	0%	0%	0%
4 or 5 rooms	35%	26%	50%	32%	23%	52%	15%	13%	32%
6 or more rooms	51%	71%	18%	58%	75%	19%	85%	86%	68%

Source: American Community Survey 2007-2011, B25042, B25020, B25032, B25036

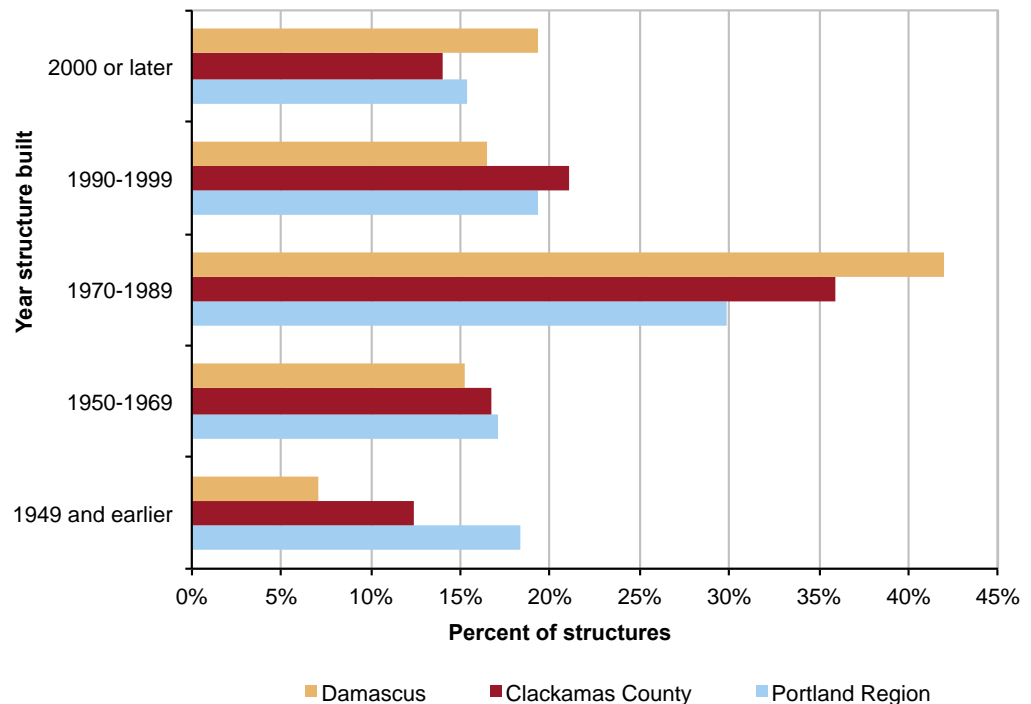
Note: The information about units in structure in "all occupied units" is different in Table 4-5 than in Table 4-1, Table 4-2, and Table 4-4 for two reasons. First, the source of data for Tables 4-1 and 4-2 is the ACS 1-year estimates (for 2011) and Table 4-4 uses the ACS 5-year estimates (the best available information for Damascus). Second, Table 4-5 groups housing structure types slightly differently than the prior four tables, with single-family detached and attached housing grouped separately in Table 4-5.

Nationally, the average size of single-family housing units (in square feet) peaked in 2007 and has decreased since that time. According to data from the U.S. Census, the average new single-family home in 2011 (2,227 square feet) was 17% larger than the average new single-family home in 1990. Meanwhile, the average multi-family unit grew by about 8% 1999 and 2011.

AGE OF HOUSING STOCK

Figure 4-1 shows age of housing stock in the Portland Region, Clackamas County, and Damascus for 2007-2011. Damascus' housing stock was, on average, younger than the regional housing stock. A smaller percentage of Damascus housing units were built before 1970 than at the county or regional levels (22% in Damascus, compared to 29% in Clackamas County and 35% across the region). Nineteen percent of housing units in Damascus were built since 2000, more than in Clackamas County (14%) or the Portland Region (15%).

Figure 4-1. Age of housing stock, Portland Region, Clackamas County, and Damascus, 2007 to 2011

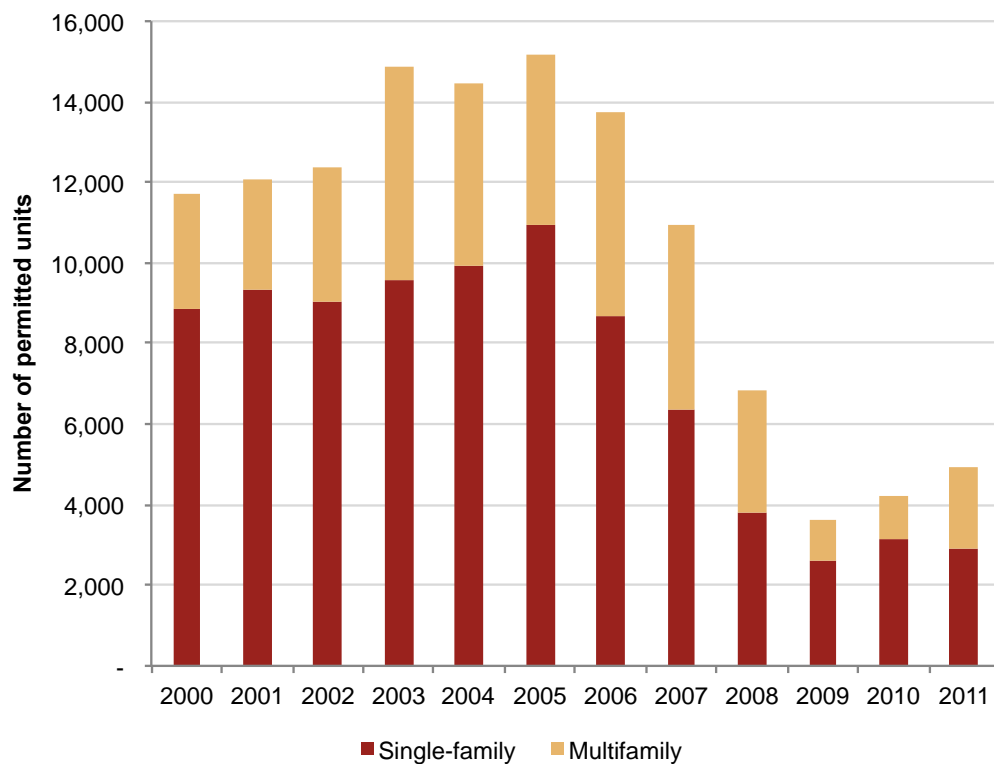


Source: 2007-2011 American Community Survey, B25034.

PERMITS ISSUED

Figure 4-2 and Table 4-6 present the number of single-family and multifamily units permitted over the past decade in the four primary counties of the Portland metropolitan area: Clackamas, Multnomah, and Washington counties in Oregon and Clark County in Washington. All counties had an increase in residential construction that peaked in between 2003 and 2006, decreasing with the effects of the national decline in the housing market and 2007-2009 recession. In the four-county area, annual permits fell by 76% between 2005 and 2009. Permitting increased slightly in 2010 and 2011 but remained well below permitting levels from the early 2000's.

Figure 4-2. Residential permits issued in Multnomah, Washington, Clark, and Clackamas Counties, 2000-2011



Source: US Census Building Permits Survey. <http://www.census.gov/construction/bps/>

The mix of housing types permitted varied across the Portland Region. In 2011, 32% of units permitted in Clackamas County were multifamily. Thirty-four percent of units permitted in Washington County were multifamily and 65% of units in Multnomah County were multifamily. The significant decrease in residential construction after 2007 makes yearly averages less significant.

Table 4-6. Residential permits issued, Portland-area counties, 2000 to 2011

Year	Clackamas		Clark		Multnomah		Washington	
	SF	MF	SF	MF	SF	MF	SF	MF
2000	1,759	540	2,463	562	1,420	1,171	3,207	580
2001	1,736	343	2,733	303	1,688	1,208	3,204	870
2002	1,519	294	3,013	620	1,383	1,338	3,139	1,073
2003	1,606	116	3,298	769	1,582	3,289	3,104	1,092
2004	1,971	229	3,044	575	1,567	2,275	3,377	1,392
2005	2,430	230	3,044	257	1,659	2,914	3,791	865
2006	2,130	570	1,993	595	1,756	2,431	2,773	1,508
2007	1,887	108	790	547	1,567	3,166	2,144	720
2008	838	0	1,053	188	790	2,253	1,149	589
2009	561	135	690	19	519	520	871	332
2010	607	40	963	107	521	714	1,033	238
2011	782	372	684	273	502	915	924	485
Total	17,826	2,977	23,768	4,815	14,954	22,194	28,716	9,744
Average	1,486	271	1,981	401	1,246	1,850	2,393	812

Source: US Census Building Permits Survey. <http://www.census.gov/construction/bps/>

Notes: SF is Single-family; MF is Multifamily. The multifamily column reports number of permitted units.

OWNERSHIP MARKET TRENDS

In 2010, Clackamas County had higher rates of homeownership (69%) than the region (62%). Homeownership rates in Damascus were higher still, at 91%.

Table 4-7 presents selected indicators from the new homes market for Clackamas County and the 4-County Portland Region (Clackamas, Multnomah, Washington, and Clark Counties) for June 2012. In the Clackamas County, sales of new single-family units between May 2011 and April 2012 increased by 34% over the previous year (May 2010 - April 2011). The increase partially reflects low levels of activity seen during 2010 and may signal a return to normalcy.

Table 4-7 shows that new detached units in Clackamas County for the first six months of 2012 had a median sales price similar to the median for all of Clackamas, Clark, Multnomah, and Washington counties.

In May 2012, Clackamas County's housing inventory had enough new homes to meet expected demand for 4.5 months, a 4.6% decrease from May 2011 and down from a 9.2 month inventory in early 2007. The larger standing inventory in Clackamas County (measured in months to sell) is likely a function of the higher average price of new homes in the county.

Table 4-7. New detached home market conditions, June 2012

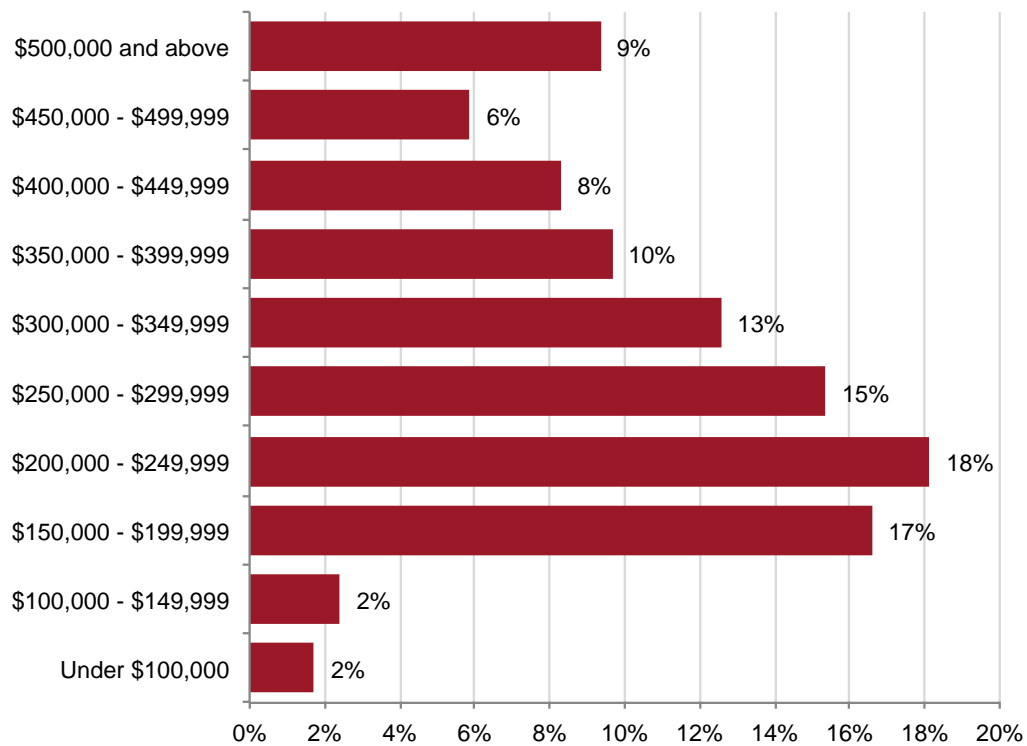
	4-County Region	Clackamas County
Total Monthly Sales	211	56
Median Price	\$284,990	\$289,990
Spec Home Inventory	534	168
Months of Spec Inventory	3.6	4.5

Source: New Home Trends, Inc. Monthly Monitor Reports for Clackamas County and Portland Region, June 2012

Notes: 4-County Region includes Multnomah, Washington, Clackamas, and Clark Counties. Total monthly sales is for April 2012. Median price includes sales prices of new homes sold in January-June 2012.

Figure 4-8 summarizes single-family housing sales over for units built and sold between 2009 to 2012. Homes priced below \$300,000 remains the greatest portion of the market with 54% of sales. The median sales price of new homes sold during this period in Clackamas County was about \$287,000, compared to \$275,000 for Clackamas, Multnomah, and Washington counties.

Figure 4-8. Price distribution of new single-family home sales, Clackamas County, 2009 to 2012



Sources: Metro RLIS, November 2012 release; Analysis by ECONorthwest.

Table 4-9 shows a sample of currently available single-family detached construction in East Clackamas County, as of 2007. The detached single family market in East Clackamas County has seen a significant level of activity, with a total of 60 projects currently tracked as either selling or planned. The following table summarizes 13 of the largest projects in the market.

Table 4-9. Sample of new detached single-family construction, East Clackamas County, 2007

		Total	Avail	Typical	Unit Size		Price Range		Price per Sq Ft				
Project/Neighborhood	Location/Address	Units	Units	Lot	Low	High	Low	High	Low	High			
Arbor at Ridgecrest	14445 SE Mountain Ridge Ave	44		9800	2738	-	3523	400000	-	480000	124	-	147
Arbor at Lincoln Heights	9299 Hamilton Lane	81	55	9600	2514	-	3660	364000	-	450000	100	-	178
Windswept Waters	16197 SE Jasper Drive	27	10	6500	1983	-	2424	260000	-	305000	109	-	150
Sunnyside Highlands	SE Turnberry Loop - Happy Valley	80	9	9500	2516	-	3104	355000	-	370000	119	-	144
Edgecliff Estates	Forsythe and Cliff View	37	25	12500	1893	-	2675	269900	-	329900	123	-	147
Rosemont Pointe	Ireland and Rosemond - West Linn	75	20	8000	2126	-	3575	466900		549900	153	-	219
Arbor Cove	Willamette Falls and Joseph Field	32	29	6500	1983	-	2661	325000	-	390000	146	-	173
Chinook Terrace	Parker Rd and Chinook Court	6	6		2661	-	3221	300000	-	500000	111	-	155

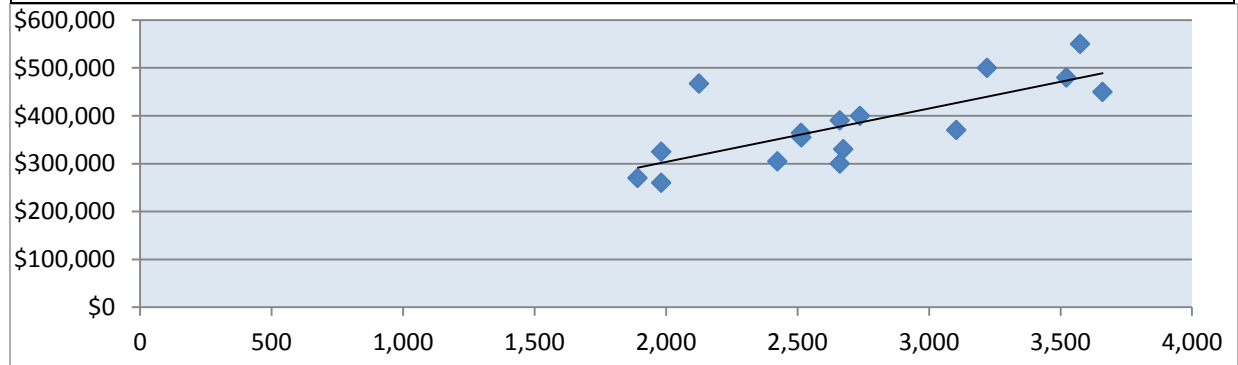


Table 4-10 shows a sample of currently available new single-family detached construction in East Clackamas County as of 2007. The projects in Table 4-10 have a typical lot size of just under 6,800 square feet, with homes priced from \$173,000 up to \$999,000. The weighted average home price range in the sample was from \$327,000 to \$540,000, reflecting a price per square foot range of \$137 through \$166. In general, the Sandy area offered more affordable housing options while higher priced projects were located with views east of I-205.

The attached for-sale market in the area was smaller, with an estimated 14 projects actively marketing or proposed. The pricing of these projects was generally significantly lower than the detached for-sale product, although pricing per square foot is equivalent. A sample of seven projects is summarized in the following table, representing 713 units.

Table 4-10. Sample of new attached single-family construction, East Clackamas County

Project/ Location	Address	Units		Unit Size		Price Range		Price/SF	
		Total	Unsold	Low	High	Low	High	Low	High
The Bluff	Galway St & Oak, Sandy	97	75	1,204	2,090	\$189,950	\$214,950	\$103	\$158
Double Creek Condos	Ruben Lane, Sandy	103	103	734	979	\$142,900	\$163,900	\$167	\$195
Eagles Loft	SE Monterey & SE Stevens	133	108	1,044	3,490	\$299,000	\$980,000	\$281	\$286
Heritage Heights	SE Otty & SE 92nd	31	31	1,091	1,800	\$289,950	\$314,950	\$175	\$266
Hideaway at Eagle Landing	Highcreek Rd. & SE Monterey	89	89	1,740	1,740	\$275,000	\$435,900	\$251	\$158
Volare	Stevens & Causey Rd.	116	113	1,430	2,118	\$295,000	\$349,950	\$165	\$206
Windswept Waters	Highway 224 & Goosehollow	144	131	1,452	1,591	\$214,900	\$236,900	\$149	\$148
Total-Weighted Average		713	650	734 - 3,490		\$142,900 - \$980,000		\$103 - \$286	

3 SOURCE: New Home Trends

Table 4-9 and 4-10 show that East Clackamas County had a substantial amount of housing development and sales activity in 2007. However, the housing market declined later in 2007, with the decrease in housing sales activity nationwide. The sales price of ownership housing increased substantially until 2007, when sales prices began to rapidly decrease, as the bubble burst in the housing market.

Table 4-11 and Figure 4-3 show sales prices for single-family dwellings for Clackamas County, Damascus, and selected cities in the eastern Portland Region for 2000, 2007, and 2012. The data show the rapid rise in sale prices between 2000 and 2007 and the decline in sales prices between 2007 and 2012. Across Clackamas County, the average sales price increased by more than \$166,000 (73%) between 2000 and 2007, and then declined by almost \$100,000 (-25%) between 2007 and 2012.

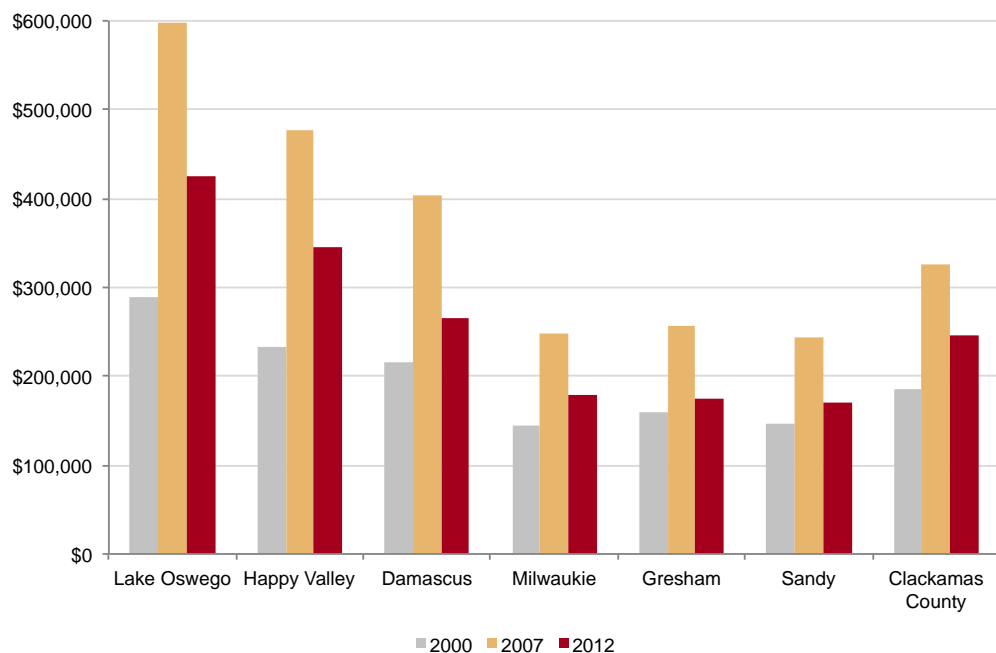
Damascus' housing costs have historically been among the highest in the eastern part of the Portland metropolitan region. Table 4-11 indicates that Damascus housing had a mean and median sales price of \$288,196 and \$265,500 in 2012, respectively. Median sales price in Damascus in 2012 was about \$20,000 more than the median for Clackamas County. The average sales price in Damascus grew by 35% over the twelve-year period.

Table 4-11. Average and median sales price for single-family dwellings, Clackamas County, Damascus, and selected cities, 2000, 2007, and 2012.

				Change 2000 to 2012		Change 2007 to 2012	
	2000	2007	2012	Amount	Percent	Amount	Percent
Average Sales Price							
Lake Oswego	\$352,850	\$715,823	\$510,372	\$157,522	45%	-\$205,451	-29%
Happy Valley	\$229,236	\$487,142	\$343,677	\$114,440	50%	-\$143,465	-29%
Damascus	\$213,099	\$426,314	\$288,196	\$75,097	35%	-\$138,118	-32%
Gresham	\$168,205	\$287,736	\$230,564	\$62,359	37%	-\$57,172	-20%
Milwaukie	\$179,043	\$264,107	\$188,309	\$9,266	5%	-\$75,798	-29%
Sandy	\$137,822	\$249,155	\$184,072	\$46,250	34%	-\$65,083	-26%
Clackamas County	\$228,465	\$395,278	\$295,474	\$67,009	29%	-\$99,804	-25%
Median Sales Price							
Lake Oswego	\$289,000	\$597,000	\$425,000	\$136,000	47%	-\$172,000	-29%
Happy Valley	\$232,450	\$475,985	\$345,000	\$112,550	48%	-\$130,985	-28%
Damascus	\$216,000	\$404,500	\$265,500	\$49,500	23%	-\$139,000	-34%
Milwaukie	\$145,000	\$248,250	\$180,000	\$35,000	24%	-\$68,250	-27%
Gresham	\$159,700	\$257,110	\$175,150	\$15,450	10%	-\$81,960	-32%
Sandy	\$146,950	\$242,950	\$170,170	\$23,220	16%	-\$72,780	-30%
Clackamas County	\$185,000	\$325,000	\$245,602	\$60,602	33%	-\$79,398	-24%

Source: Metro RLIS, November 2012, Analysis by ECONorthwest

Figure 4-3. Median sales price for single-family dwellings, Clackamas County, Damascus, and selected cities, 2000, 2007, and 2012.



Source: Metro RLIS, November 2012, Analysis by ECONorthwest

In the near-term, housing demand in Damascus is likely to be relatively low as a result of slow growth following the 2007-2009 recession and the lack of urban-level infrastructure in Damascus. In the five- to ten-year range, ECO expects demand for new dwellings to increase in the Portland Region, both for owner-occupied and renter-occupied units. This expectation is based on improvements to the national and regional housing market, including more affordable housing prices resulting from the decrease in housing price since 2007.

RENTAL MARKET TRENDS

Table 4-12 shows selected rental market indicators for the Portland Region, Clackamas County, and Damascus. In 2010, Damascus had a smaller share of rental households than the region or the county. Nine percent of occupied households in Damascus were renter-occupied, compared to 28% in Clackamas County and 36% in the Portland Region.

Vacancy rates were also lower in Damascus than in the county or region. In 2010, the vacancy rate in Damascus was 4%, compared to vacancy rates of 7% in Clackamas County and 6% across the region. Median gross rent in Damascus in 2007-2011 was \$918, similar to Clackamas County (\$913) and higher than the Portland Region (\$886).

Between 2007 and 2011, 12,000 multifamily units were permitted across the 7-county Portland Region. Multifamily permits in Clackamas County over the five-year period accounted for 5% of the regional total.

Table 4-12. Selected rental market indicators, Portland Region, Clackamas County, and Damascus

	Portland Region	Clackamas County	Damascus
Renter-occupied units, 2010	776,740	104,521	989
% of total units occupied by renters, 2010	36%	28%	9%
Vacancy rate, 2010	6%	7%	4%
Median gross rent, 2007-2011	\$886	\$913	\$918
Total MF units permitted 2007-2011	12,000	655	

Source: U.S. Census 2010 H11, H3, American Community Survey 2007-2011 B25064, US Census Building Permits Survey (<http://censtats.census.gov/bldg/bldgprmt.shtml>).

SUMMARY AND KEY FINDINGS

Steady population and employment growth, combined with the constraints on buildable lands in the Portland Region, ensure that the housing market will maintain a solid underpinning for a long time to come, despite the correction that the entire nation is currently experiencing. In the long run, the Portland Region is expected to add an estimated about three-quarters of a million people over the next 25 years, the large majority within the Urban Growth Boundary. If these estimates are correct, this will be enough people to ensure an on-going demand for all types of housing, new neighborhoods and even new cities.

The trends discussed above help to form a profile of the housing niche that Damascus currently fills in the region.

- Clackamas County has grown at a slower rate than Washington County and Clark County over the past decade. However, the conditions are good for faster growth in coming years with the addition of buildable lands in the Damascus and Springwater areas, and with increasing constraints on residential lands in Washington County.
- Damascus' existing housing stock is consistent with the demographic and socioeconomic profile of the city:
 - Damascus has a greater share of family households than the county and the region and they tend to be slightly larger than the regional average.
 - Damascus has higher median, average, and per capita incomes than the region.
 - Damascus households are more frequently homeowners than across the county and the region. Rental units make up a smaller share of occupied units than across the region.
 - Housing units in Damascus are more likely to be single-family detached units, and tend to be larger.
- Homes sold in Damascus in 2012 had a median price of about \$265,500, 8% higher than the Clackamas County median.
- Damascus housing units had a vacancy rate of 4% in 2010, one of the lowest vacancy rates in the region.

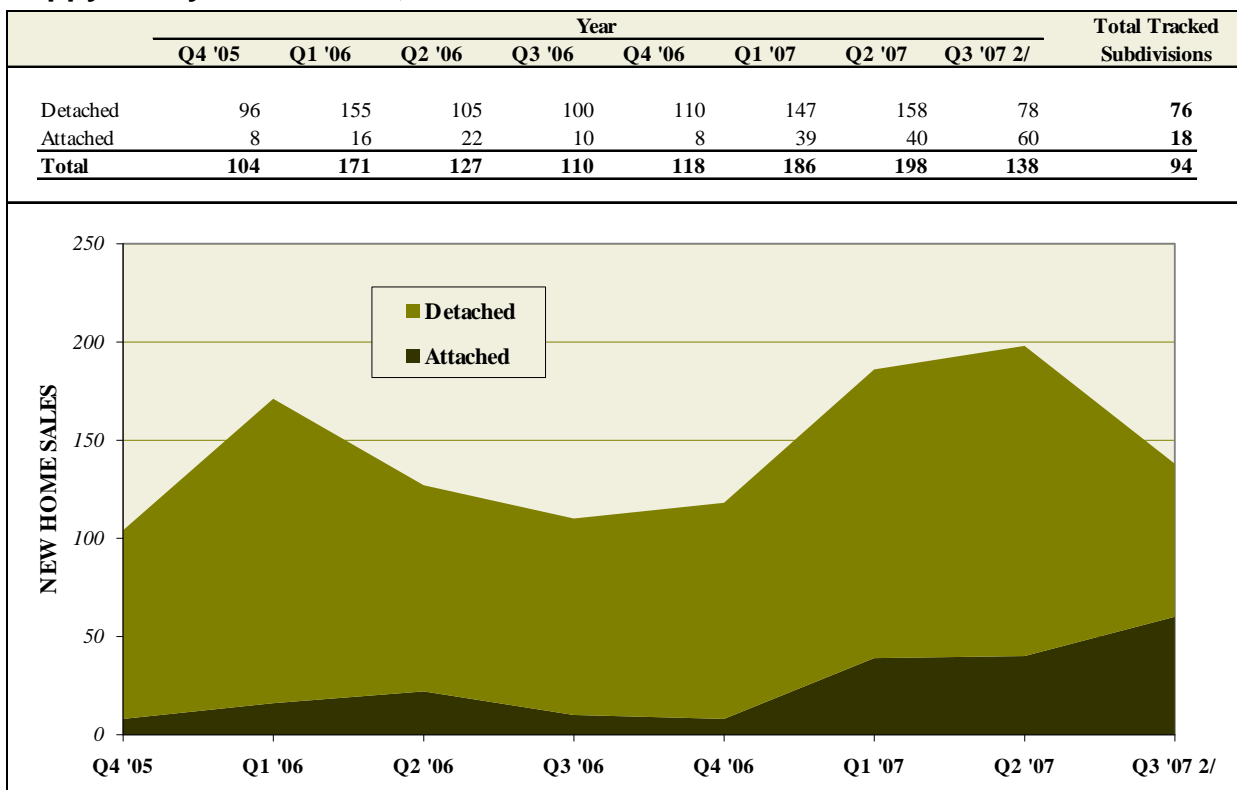
The City of Damascus sits at the periphery of the broader Portland Region, and housing demand within the City will be driven by regional trends. General growth in the region will create a demand for housing, which will be allocated geographically within the region based on a complex array of factors, including personal preferences and the availability of product.

The City of Damascus has a number of locational attributes that make it attractive as a prospective residential location. Historically, these have included attractive topography and a semi-rural feel with a relatively low-density land use pattern. As the area is urbanized, we expect the demand for housing in the area to be similar to that which has driven the East Clackamas County and Happy Valley markets over the last decade. We see several key household types driving this market:

- Value-oriented family market willing to accept longer commute times for a better housing product and stable school district;
- Luxury and move-up buyers attracted to the view potential of the area;
- Persons employed in the Clackamas Regional Center, Sunrise Corridor and along the I-205 Corridor.

Table 4-12 shows new home sales in the East Clackamas County and Happy Valley submarkets from Fourth Quarter 2005 to Third Quarter 2007. The East Clackamas County and Happy Valley submarkets have accounted new homes sales volumes ranging from between 96 to 158 units per quarter over the last several years. There are an estimated 96 active projects in the area, of which 76 are detached single family.

Table 4-12. New Home Sales Volume by Quarter, East Clackamas County and Happy Valley Submarkets, Fourth Quarter 2005 to Third Quarter 2007



1/ Data based on New Home Trends tracked subdivisions.

2/ Quarter to date through September 20th.

As developable land supplies diminish to the west of Damascus, an increasing share of this demand is expected to shift to the Damascus area to the extent it can be accommodated. We differentiate between the demand for housing and “realized demand”. As an example, there may be a demand for 800 units per year of single family homes priced at \$250,000 per unit in Damascus, but this demand will only be “realized” if the product can be delivered. The distinction is between what could happen and what will happen.

Reflecting this, *a key determinant of actual realized demand in Damascus will be the area's ability to accommodate potential growth.* If land is available with appropriate infrastructure and entitlements, it can be expected to immediately start capturing a share of the larger demand pool in East Clackamas County. The overall pool of new home sales in the broader area was in the range of 400 to 500 units per year in 2007. After 2007, housing construction dropped to a fraction of that number and is not expected to rebound in the near term. If the 2007 volume of new home sales returns when the housing market recovers, Damascus may expect to capture between 30% and 50% of the volume of new homes, and the annual sales pace could range from 120 to 250 units annually in the area. This could increase significantly over the 20-year period with transportation improvements and new services and employment opportunities to support the increasing population.

It should be noted that assessment reflects sale of a finished product, and the development period necessary to deliver lots and/or homes can take a number of years.

HOUSING AFFORDABILITY IN CLACKAMAS COUNTY AND DAMASCUS

A review of historical income and housing price trends provides insights into the local and regional housing markets. Figure 3-6 presents information about household income in Damascus, Clackamas County, and the Portland Region. This section presents information about housing affordability in Clackamas County and Damascus in the context of the broader region.

A typical standard used to determine housing affordability is that a household should pay no more than 30% of its total monthly household income for housing, including utilities. According to the U.S. Census, over 354,000 households in the Portland Region—about 42%—paid more than 30% of their income for housing in 2011.

One way of exploring the issue of financial need is to review wage rates together with measures of housing affordability. Table 4-13 shows an analysis of affordable housing wage and rent gap for households in Clackamas County at different percentages of median family income (MFI). The data are for a typical family of four. The results indicate that a household must earn \$17.07 an hour to afford a two-bedroom unit according to HUD's market rate rent estimate.

Table 4-13. Analysis of affordable housing wage and rent gap by HUD income categories, Clackamas County, 2012

Value	Minimum Wage	30% MFI	50% MFI	80% MFI	100% MFI	120% MFI
Annual Hours	2088	2088	2088	2088	2088	2088
Derived Hourly Wage	\$8.80	\$10.49	\$17.48	\$27.97	\$34.96	\$41.95
Annual Wage At Minimum Wage	\$18,374	\$21,900	\$36,500	\$58,400	\$73,000	\$87,600
Annual Affordable Rent	\$5,512	\$6,570	\$10,950	\$17,520	\$21,900	\$26,280
Monthly Affordable Rent	\$459	\$548	\$913	\$1,460	\$1,825	\$2,190
HUD Fair Market Rent (2 Bedroom)	\$891	\$891	\$891	\$891	\$891	\$891
Is HUD Fair Market Rent Higher Than The Monthly Affordable Rent?	Yes	Yes	No	No	No	No
Rent Paid Monthly OVER 30% of Income	\$432	\$344	na	na	na	na
Rent Paid Annually OVER 30% of Income	\$5,180	\$4,122	na	na	na	na
Percentage of Income Paid OVER 30% of Income for Rent	28%	19%	na	na	na	na
Total Spent on Housing	58%	49%	29%	18%	15%	12%
For this area what would the "Affordable Housing Wage" be?	\$17.07	\$17.07	\$17.07	\$17.07	\$17.07	\$17.07
The Affordable Housing Wage Gap IS:	\$8.27	\$6.58	na	na	na	na

Source: HUD, analysis by ECONorthwest.

Notes: MFI is Median family income. Oregon minimum wage in 2012 was \$8.80.

The share of income relative to the total amount a household spends on housing is referred to as cost burden. Total housing expenses are generally defined to include payments and interest or rent, utilities, and insurance. HUD guidelines indicate that households paying more than 30% of their income on housing experience “cost burden” and households paying more than 50% of their income on housing experience “severe cost burden.” Using cost burden as an indicator is consistent with the Goal 10 requirement of providing housing that is affordable to all households in a community.

Table 4-14 shows housing costs as a percent of income by tenure for Damascus households in 2007-2011. The data show that about 37% of Damascus households experienced cost burden in 2007-2011. The rate was much higher for renters (61%) than for homeowners (36%). In comparison, 51% of renters and 38% of homeowners in Clackamas County were cost burdened in 2011.

Table 4-14. Housing cost as a percentage of household income (cost burden), Damascus, 2007-2011

Percent of Income	Owners		Renters		Total	
	Number	Percent	Number	Percent	Number	Percent
Less than 20%	1,175	36%	10	6%	1,185	34%
20% - 24%	467	14%	41	27%	508	15%
25% - 29%	479	15%	9	6%	488	14%
30% - 34%	400	12%	10	6%	410	12%
35% or more	768	23%	84	55%	852	25%
Total	3,289	100%	154	100%	3,443	100%
Cost Burden	1,168	36%	94	61%	1,262	37%

Source: American Community Survey 2007-2011, B25091, B25070

Table 4-15 shows a rough estimate of affordable housing cost and units by income levels for Clackamas County in 2011. When interpreting this data, keep in mind:

- The affordability guidelines are based on median family income (determined by HUD) and provide a rough estimate of financial need but may mask other barriers to affordable housing such as move-in costs, competition for housing from higher income households, and availability of suitable units. They also ignore other important factors such as accumulated assets, real estate purchased as investment, and the effect of down payments and interest rates on housing affordability.
- Households compete for housing in the marketplace. In other words, affordable housing units are not necessarily available to low income households. For example, if an area has a total of 50 dwelling units that are affordable to households earning 30% of median family income, half of those units may already be occupied by households that earn more than 30% of median family income.

The data in Table 4-15 indicate that in 2011:

- Nearly 20% of Clackamas County households could not afford a studio apartment according to HUD's estimate of \$675 fair market rent.
- Nearly 30% of Clackamas County households could not afford a two-bedroom apartment according to HUD's estimate of \$905 fair market rent.
- A household earning a median family income (\$72,000) could afford a home valued up to \$216,000.

Table 4-15. Rough estimate of housing affordability, Clackamas County, 2011

Income Level	Number of HH	Percent	Affordable Monthly Housing Cost	Crude Estimate of Affordable Purchase Owner-Occupied Unit	Est. Number of Owner Units	Est. Number of Renter Units	Surplus (Deficit)	2011 HUD Fair Market Rents
Less than \$10,000	7,407	5.1%	\$0 to \$250	\$0 to \$25,000	3,927	1,063	(2,417)	
\$10,000 to \$14,999	6,134	4.2%	\$250 to \$375	\$25,000 to \$37,000	1,587	561	(3,986)	
\$15,000 to \$24,999	13,958	9.6%	\$375 to \$625	\$37,500 to \$62,500	1,580	3,504	(8,874)	
\$25,000 to \$34,999	13,025	8.9%	\$625 to \$875	\$62,500 to \$87,500	739	12,521	235	Studio: \$675 1 bdrm: \$783
\$35,000 to \$49,999	20,938	14.3%	\$875 to \$1,250	\$87,500 to \$125,000	1,162	18,888	(888)	2 bdrm: \$905 3 bdrm: \$1,318
\$50,000 to \$74,999	29,158	20.0%	\$1,250 to \$1,875	\$125,000 to \$187,500	9,409	5,091	(14,659)	4 bdrm: \$1,583
Portland MSA 2011 MFI: \$72,000			\$1,800	\$216,000				
\$75,000 to \$99,999	18,962	13.0%	\$1,875 to \$2,450	\$187,500 to \$245,000	18,577	3,147	2,762	
\$100,000 to \$149,999	21,071	14.4%	\$2,450 to \$3,750	\$245,000 to \$375,000	31,509	1,380	11,818	
\$150,000 or more	15,318	10.5%	More than \$3,750	More than \$375,000	31,328	0	16,010	
Total	145,971	100.0%			99,818	46,153	0	

Source: American Community Survey, U.S. Census, 2010, U.S. Department of Housing and Urban Development, and Oregon Housing & Community Services. Notes FMR- Fair Market Rent and MFI – Median Family Income

As a final step in the housing affordability analysis, ECO performed a rough correlation of income with needed housing types as defined by ORS 195.303. This analysis is also consistent with guidance provided in the Workbook.¹³ Table 4-16 and Table 4-17 show ECO's evaluation for market segments, incomes, and financially attainable housing products. The tables use the 2011 HUD income guidelines as the market segments and the most recent American Community Survey data from the Census for the income distribution.

Table 4-16 provides an estimate of financially attainable housing types by income and tenure for Clackamas County households. Households in the upper-middle and high-income segments will be able to afford new housing. The data shown in Table 4-16 suggest that the County has an existing need for about 43,000 housing units affordable for households with income less than \$36,000.

Table 4-16. Financially attainable housing type by income range, Clackamas County, 2011

Market Segment by Income	Income Range	Number of households	Percent of Households	Financially Attainable Products		
				Owner-occupied	Renter-occupied	
High (120% or more of MFI)	\$86,400 or more	45,870	31%	All housing types; higher prices	All housing types; higher prices	
Upper Middle (80%-120% of MFI)	\$57,600 to \$86,400	26,259	18%	All housing types; lower values	All housing types; lower values	Primarily New Housing
Lower Middle (50%-80% of MFI)	\$36,000 to \$57,600	30,834	21%	Manufactured on lots; single-family attached; duplexes	Single-family attached; detached; manufactured on lots; apartments	Primarily Used Housing
Lower (30%-50% of less of MFI)	\$21,600 to \$36,000	20,636	14%	Manufactured in parks	Apartments; manufactured in parks; duplexes	
Very Low (Less than 30% of MFI)	Less than \$21,600	22,373	15%	None	Apartments; new and used government assisted housing	

Source: Estimates by ECONorthwest based on HUD 2011 Median Family Income for Clackamas County and 2011 American Community Survey for Clackamas County income data.

¹³ Specifically, Step 4, page 29 and the figure on page C-11.

Table 4-17 provides an estimate of financially attainable housing types by income and tenure for Damascus households. The data shown in Table 4-17 suggest that Damascus has an existing need for about 562 housing units affordable for households with income less than \$36,000.

Table 4-17. Financially attainable housing type by income range, Damascus, 2007-2011

Market Segment by Income	Income Range	Number of households	Percent of Households	Financially Attainable Products		
				Owner-occupied	Renter-occupied	
High (120% or more of MFI)	\$86,400 or more	1,686	48%	All housing types; higher prices	All housing types; higher prices	<div style="display: flex; align-items: center; justify-content: center;"> <div style="border-left: 1px solid black; height: 100%; width: 2px;"></div> <div style="text-align: center; margin: 0 10px;"> ↑ Primarily New Housing ↓ Primarily Used Housing </div> </div>
Upper Middle (80%-120% of MFI)	\$57,600 to \$86,400	739	21%	All housing types; lower values	All housing types; lower values	
Lower Middle (50%-80% of MFI)	\$36,000 to \$57,600	538	15%	Manufactured on lots; single-family attached; duplexes	Single-family attached; detached; manufactured on lots; apartments	
Lower (30%-50% of less of MFI)	\$21,600 to \$36,000	368	10%	Manufactured in parks	Apartments; manufactured in parks; duplexes	
Very Low (Less than 30% of MFI)	Less than \$21,600	194	6%	None	Apartments; new and used government assisted housing	

Source: Estimates by ECONorthwest based on HUD 2011 Median Family Income for Clackamas County and 2007-2011 American Community Survey for Damascus income data.

Housing affordability is a growing issue in the Portland Region. The Metro Council recognizes this problem and is attempting to encourage the provision of more affordable housing through Title 7 of Metro's Urban Growth Management Functional Plan, which is designed to ensure the production of affordable housing in the Metro UGB. Each city and county within the Metro region has voluntarily adopted an affordable housing production goal. Damascus does not currently have an affordable housing production goal stated in Title 7, but it is probable that the City will adopt a goal in the future.

According to interviews with stakeholders that address affordable housing issues in the Portland Region, virtually no government assisted housing programs are available in Damascus. There are no public housing units operated by the government or nonprofit organizations in Damascus. There are only a few households with subsidized rent in the City.¹⁴

¹⁴ Stakeholders include staff with: the Housing Authority of Clackamas County, Clackamas County Community Development, Clackamas County Planning, and the Bradley-Angle House.

REGIONAL HOUSING NEEDS

Determining the future housing needs in Damascus is difficult for a number of reasons: (1) historic development patterns in Damascus will not be indicative of future housing need as Damascus transitions from a low-density rural development pattern to a higher density urban development pattern; (2) the timing of residential development in Damascus will be tied directly to development of infrastructure such as roads and sanitary sewer; and (3) as Damascus becomes integrated into the Portland Region, the demographics of residents will become more like the demographics of the region, resulting in changing housing needs. Since it is clear that Damascus' housing needs will change but is not clear on precisely how they will change, ECO is assuming that Damascus will be strongly influenced by regional housing needs, particularly those in Clackamas County, over the 20-year period. In short, Damascus will occupy a specific niche in the regional housing market and its needs will be defined by broader trends in the region.

The most important components of regional housing need are characteristics of housing, such as housing mix and tenure, and housing affordability. The jurisdictions in the Portland Region function as a single housing market. Residents are willing to commute from one part of the region to another for work and shopping. Residents make choices about where to live based more on housing affordability and community livability factors, rather than proximity to work.

Housing affordability is an increasingly important issue for Metro and the Portland Region. In 1998, Metro formed the Affordable Housing Technical Advisory Committee (HTAC) to address housing affordability issues. HTAC defined the Metro region's affordable housing needs and developed the *Regional Affordable Housing Strategy* (RAHS) in 2000. The Metro Council adopted Title 7 of the Urban Growth Management Functional Plan to implement the recommendations in the RAHS.

The *Regional Affordable Housing Strategy* is designed to help local jurisdictions develop policies that result in the provision of affordable housing for residents of all income levels. The HTAC developed a methodology for determining housing need and distributing the provision of affordable housing among all the jurisdictions in the Metro region. The methodology differentiates between needed units by household income level, from households earning 30% or less of the median family income (MFI) to households earning 81-120% of the MFI.

Based on this methodology, the Metro Region will need 90,479 new dwelling units affordable to people making 50% or less of the regional median income by 2017. Clackamas County is expected to provide about 12.2% or 11,053 affordable units in unincorporated Clackamas County.

In 2005, Metro formed the Housing Choice Task Force (HCTF) to continue working to address the need for affordable housing in the Metro region. In the "Regional Housing Choice Implementation Strategy," the HCTF found that housing became less affordable in the Metro region over the 2000 to 2005 period,

as housing prices increased faster than income. The report documents a decrease in housing affordability at all income levels. Residents earning 80% of the MFI were able to purchase a median priced home in 2000. By 2005, residents earning 80% of the MFI were not able to purchase median priced homes.

The HCTF found that rents did not increase at the same rate as housing price over the five-year period. They found that some neighborhoods had a surplus of rental units in 2005 but that these units were not necessarily affordable to low-income households. Although rents did not increase as fast as housing prices, households earning 30% or less of the MFI often had to compete with households with higher incomes, who chose to pay less than 30% of their income on rent, for affordable units.

“Affordable Housing Needs Study for the Portland Metropolitan Area” provided a more comprehensive analysis of future affordable housing needs of the Metro region for the 2005 to 2035 period, based on household and demographic data from the *Metroscope* model.¹⁵ The study divided the population of the Metro Region (excluding Clark County, Washington) into eight groups based on income, age, household size, and presence of children. The housing preferences of the eight groups were divided by tenure. The study made the following conclusions and recommendations:

- Cost burden will increase from 43% of households in 2005 to 48.6% of households in the Metro region in 2035. Cost burden in Damascus and unincorporated Clackamas County will increase from 34.2% of households in 2005 to 44.4% of households in 2035.
- Cost burden will be greatest among renters, increasing from 51.5% in 2005 to 57.2% in 2035 region-wide. Cost burden will decrease for renters in Damascus and unincorporated Clackamas County from 56% in 2005 to 51.7% in 2035.
- The households most affected by increased cost burden will be single-person households (under 25 years and over 65 years old) and working class households, especially single-parent families with child(ren).
- Single-family rental units will become less available over time. The groups most likely to rent single-family units, low-income families, will increasingly depend on multifamily units.
- Cost burden will increase among low- and middle-income homeowners, especially single-person households and young, middle-income families. However, the increases in cost burden for these homeowners may be offset by increases in wealth resulting from appreciation in housing values.

¹⁵ Institute of Portland Metropolitan Studies, “Affordable Housing Needs Study for the Portland Metropolitan Area”, draft final report, November 20, 2007.

SUMMARY

HOUSING TRENDS

Steady population and employment growth, combined with the constraints on buildable lands in the Portland Region, ensure that the housing market will remain solid for a long time to come, despite the correction that the entire nation is currently experiencing. In the long run, the Metro area is expected to add an estimated one million people over the next 25 years, mostly within its Urban Growth Boundary. Assuming that these estimates are correct, population growth will be sufficient to ensure an on-going demand for all types of housing, new neighborhoods and even new cities.

The trends discussed above help to form a profile of the housing niche that Damascus currently fills in the region.

- Clackamas County may experience faster than historic growth over the planning period with the addition of buildable lands in the Damascus and Springwater areas.
- Damascus households were more affluent and larger than the regional average.
- In 2010, Damascus householders were more likely to be homeowners, with a homeownership rate of 91%, compared with the County average of 69%.
- The vacancy rate in Damascus in 2010 was one of the lowest in the region at 4%, compared to 7% in Clackamas County and 6% in the Portland Region.
- Housing units in Damascus were more likely to be single-family detached units, and tended to be larger. Homes sold in Damascus in 2012 had a median price of \$265,500, 8% higher than the Clackamas County median.

Housing demand within Damascus will be substantively driven by these regional trends. General growth in the Portland Region will create a demand for housing, which will be allocated geographically within the region based on a complex array of factors, including personal preferences and the availability of product. At the same time, the future of housing in Damascus is probably not predicted by the current development patterns in Clackamas County. The City will need housing to accommodate a wider range of incomes and household sizes.

Damascus will attract some households based on its locational attributes, such as attractive topography. Other households will move to Damascus based on housing availability in other parts of the Portland Region. As developable land supplies diminish to the west of Damascus, an increasing share of this demand is expected to shift to the Damascus area to the extent it can be accommodated.

A key determinant of actual realized demand in Damascus will be the area's ability to accommodate potential growth. If land is available with appropriate infrastructure and entitlements, it can be expected to immediately start capturing a share of the larger demand pool in Clackamas County. Over the 2000 to 2011 period, about 1,500 single-family residential building permits were issued annually. Assuming the City of Damascus has the capacity to capture between 10% and 20% of new residential development in the County, annual residential development in Damascus would be between 150 to 300 units. Without appropriate public infrastructure, however, the City is unlikely to see much new residential development of any type.

INCOME AND AFFORDABILITY

Housing affordability is a growing issue in the Portland Region. Some indicators of problems with housing affordability in Damascus and Clackamas County include:

- About 37% of Damascus households spent 30% or more of their income on housing in 2007-2011, compared with 42% of Clackamas County households, meaning that these households were cost burdened. In both places, the rate was higher for renters than for homeowners.
- Nearly 30% of Clackamas County's households could not afford a two-bedroom apartment according to HUD's estimate of \$905 fair market rent.
- A household earning median family income (\$72,000) could afford a home valued up to \$216,000 but the median sales price in Clackamas County in 2012 was over \$245,600.
- Clackamas County has a need for approximately 43,000 low-income housing units (units for households with incomes less than \$36,000). Damascus has an existing need for about 562 housing units affordable for households with income less than \$36,000.

The Metro Council recognizes the problem with the lack of sufficient affordable housing in the Region and is attempting to encourage the provision of more affordable housing through Title 7 of Metro's Urban Growth Management Functional Plan, which is designed to ensure the production of affordable housing in the Metro UGB. Each city and county within the Metro region has voluntarily adopted an affordable housing production goal. Damascus does not currently have an affordable housing production goal stated in Title 7 but it is probable that the City will adopt a goal in the future.

REGIONAL HOUSING NEEDS

Determining the future housing needs in Damascus is difficult for a number of reasons. Damascus' housing needs will change as it begins to build out, but is not clear on precisely how they will change. ECO assumes that Damascus will be strongly influenced by regional housing needs, particularly those in Clackamas

County, over the 20-year period. Policy choices about density and land capacity, especially in combination with the yet-to-be-determined interpretation of Metro's housing rules for density and housing mix, will also influence the future of Damascus' residential development. In short, Damascus will occupy a specific niche in the regional housing market, and its needs will be defined by broader trends in the region.

Based on the "Regional Affordable Housing Strategy," the Metro region will need 90,479 new dwellings affordable to people making 50% or less of the regional median income by 2017. Clackamas County is expected to provide about 12.2% or 11,053 affordable units in unincorporated Clackamas County.

Cost burdened households will become more common in the Metro Region, increasing from 43% of households in 2005 to 48.6% of households in the Metro Region in 2035. Cost burden in Damascus and unincorporated Clackamas County will increase from 34.2% of households in 2005 to 44.4% of households in 2035. Renter households will experience a higher rate of cost burden, increasing from 51.5% in 2005 to 57.2% in 2035 region-wide. Cost burden will decrease for renters in Damascus and unincorporated Clackamas County from 56% in 2005 to 51.7% in 2035.

Housing Need in Damascus

This chapter presents the housing needs analysis for Damascus. It uses population growth assumptions combined with other assumptions (e.g., household size and vacancy rates) to estimate the total number of needed units. It then provides estimates of needed units by structure type and by density range.

Chapter 2 described the framework for conducting a housing "needs" analysis. ORS 197.296 requires cities over 25,000 or fast growing cities to conduct a housing needs analysis. A recommended approach is described in Task 3 of the HB 2709 Workbook. The specific steps in the housing needs analysis are:

1. Project number of new housing units needed in the next 20 years.
2. Identify relevant national, state, and local demographic and economic trends and factors that may affect the 20-year projection of structure type mix.
3. Describe the demographic characteristics of the population and, if possible, housing trends that relate to demand for different types of housing.
4. Determine the types of housing that are likely to be affordable to the projected households based on household income.
5. Estimate the number of additional needed units by structure type.
6. Determine the needed density ranges for each plan designation and the average needed net density for all structure types.

Not all of the steps listed above are addressed in this chapter. Steps 2 and 3 are addressed in Chapter 3; parts of step 4 are addressed in Chapter 4.

The housing needs analysis in this chapter is based on a coordinated population forecast from Metro (the November 2012 "Gamma" forecast), which is a necessary prerequisite to estimate housing needs.

PROJECTED NUMBER OF NEW HOUSING UNITS NEEDED IN THE NEXT 20 YEARS

ESTIMATE OF NEW HOUSING UNITS, 2015-2035

Table 5-1 presents Metro's forecast for population growth and new housing development in Damascus for the 2010 to 2035 period. For the 2015 to 2035 period, Metro forecasts that Damascus will add 7,081 new households. About 7,054 households (99.6% of households) will be in single-family housing types (single-family residential and rural single-family housing types), with 27 households (0.4% of households) in multifamily housing types (multifamily residential and multifamily mixed-use housing types).

The Damascus City Council accepted the Metro forecast (in Table 5-1) on 11/19/2012 through resolution 12-324.

Table 5-1. Metro forecast for Households and estimate of population, Damascus city limit, 2010 to 2035

Year	Households			Population	
	Single-Family	Multifamily	Total	Average Household Size	Estimated Population
2010	3,322	205	3,527	3.0	10,581
2015	4,646	190	4,836	2.9	14,024
2025	9,087	164	9,251	2.7	24,978
2035	11,700	217	11,917	2.5	29,793
Change 2015 to 2035					
Households	7,054	27	7,081		15,769
Percent	152%	14%	146%		112%
AAGR	4.7%	0.7%	4.6%		3.8%
Change 2010 to 2035					
Households	8,378	12	8,390		19,212
Percent	252%	6%	238%		182%
AAGR	5.2%	0.2%	5.0%		4.2%

Source: Metro TAZ "Gamma" Forecasts, 9/19/2012

Note: The forecast was developed by transportation analysis zones to approximate the boundaries of the City of Damascus

Note: ECO extrapolated 2015 households based on the forecast of rate for household growth from 2010 to 2025, 6.6% average annual growth rate.

ECO estimated the change in average household size in 2015 based on the change in average household size between 2010 and 2025, a decrease of 0.3 persons per household for the 15-year period or 0.02 per year. ECO estimated population in Damascus in 2015 by dividing the total households by the estimated average household size in 2015.

HOUSING NEEDS ANALYSIS

This section presents the housing needs analysis for Damascus. It includes the following subsections:

1. Factors that influence household's locational and housing choices
2. Needed housing by income ranges
3. Needed housing by type
4. Needed housing by density range
5. Land needed to accommodate housing between 2015 and 2035

FACTORS THAT INFLUENCE HOUSEHOLDS' LOCATIONAL AND HOUSING CHOICES¹⁶

Residential choice means the choice of both a location and a housing type. Households consider many factors in making housing choices: views, neighborhood characteristics, quality of schools, tax rates, and commute time. All of these factors relate to location. Housing type is defined by many attributes, the most important of which are structure type (e.g., single-family, multifamily) and size, lot size, quality and age, price, and tenure (own/rent). All of these attributes—what real estate economists refer to as the *bundle of goods* that one purchases when making a housing choice—affect residential choice.

Households value a variety of site and structure characteristics, including:

- **Access to work.** At least one member of each household, and often two members, commutes to work daily. Recent research into household location questions the emphasis early research placed on commuting to work. There is no doubt other factors influence housing location decisions, or that cars give households considerable flexibility in choosing a location, but access to work remains an important determinant of household location.
- **Access to shopping, recreation, friends.** Recent research reveals that about 70% of all household travel is for non-work purposes. People travel from their homes to shopping, recreation, and other neighborhoods. Households value access to a variety of destinations.
- **Public services.** Households value a variety of public services, some of which vary by location. The quality and price of water, sewer, drainage, and power service typically vary little within an urban area. The quality of other public services, especially schools and police and fire protection can often vary substantially, and have a large impact on a household's location decision.

¹⁶ This section is adapted from previous work by ECONorthwest.

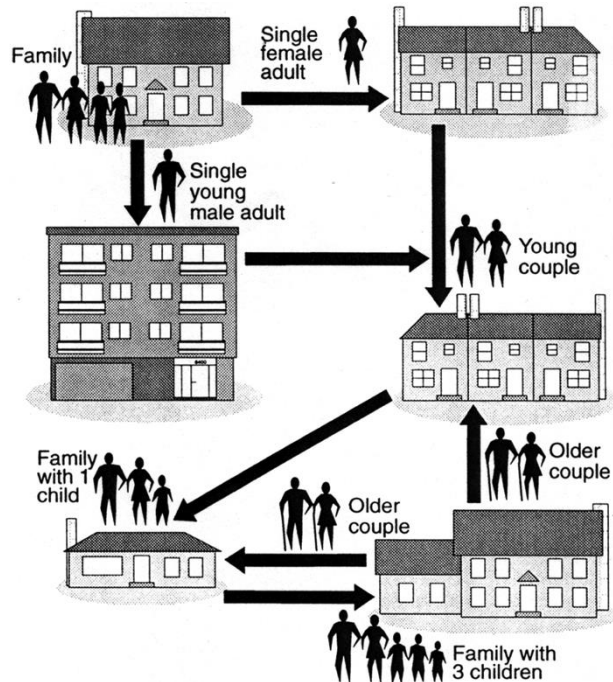
- **Neighborhood characteristics.** Characteristics of residential neighborhoods—character of development, income, age, and size of households, environmental quality—vary dramatically within a metropolitan area, and are important to households.
- **Land and improvements.** As with businesses, the desire for space varies by household, and households are willing to trade-off space for other attributes, such as accessibility and amenities. Some families, for example, are willing to pay more for space, and use less of it, in areas with especially good schools.

The literature is inconclusive on the relative weight of site and structure characteristics in housing location choice. No one disagrees that travel time is an important variable that households consider when making a residential location choice. Casual observation of the choices of one's self and one's acquaintances confirms the point: the field of urban economics is based on the presumed tradeoff between travel time and land prices (which generally decrease with distance from places that a lot of people want to be).

Housing preference can impact a household's decision to live in the community. Households will base their decision to move to Damascus, in part, on the types of housing available in the City. Housing preferences change throughout a person's lifetime. The type of housing preferred by young, single people is different than housing preferences of middle-aged people with children or elderly people. Three housing characteristics that are strongly related to housing location and housing type are: age of the head of household; size of the household; and income.

Figure 5-1 illustrates one example of the effect of housing life cycle and housing career. Housing needs and preferences change in predictable ways over time, with changes in marital status, size of family. Families of different sizes need different types of housing.

FIGURE 5-1. EFFECT OF HOUSING LIFE CYCLE AND HOUSING CAREER

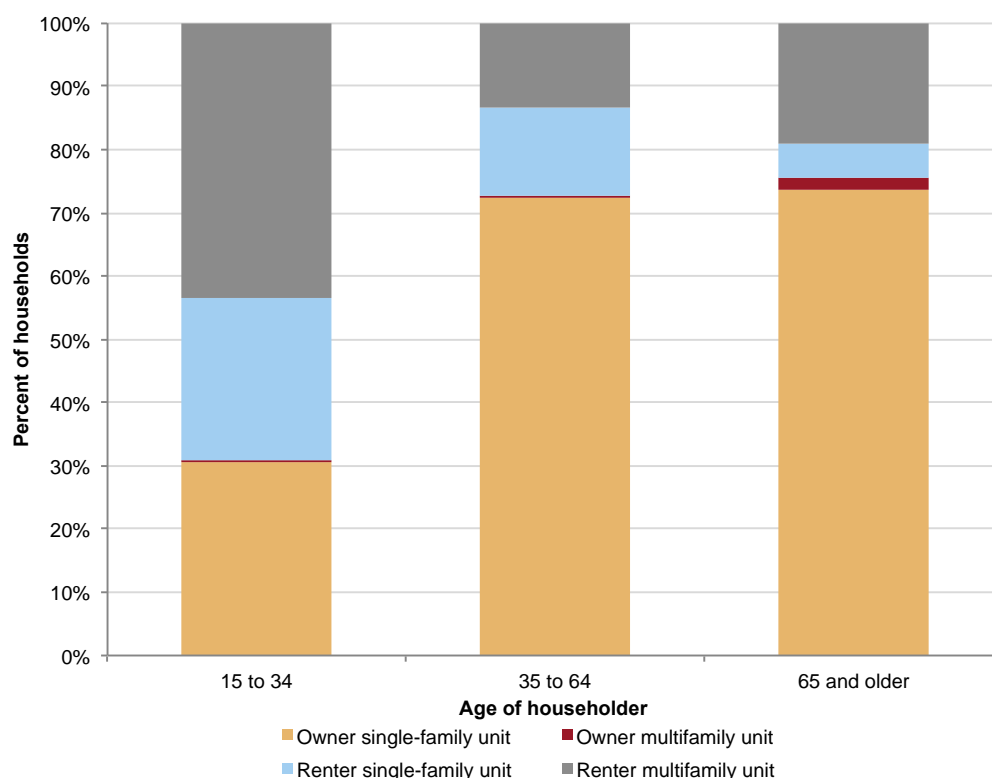


Source: Reprinted from Clark, William A.V. and Frans M. Dieleman. 1996. *Households and Housing*. New Brunswick, NJ: Center for Urban Policy Research.

Figure 5-2 illustrates the relationship between age, housing type, and housing tenure in Clackamas County in 2011.

People younger than 34 typically have greater mobility and less income than people who are older. As a result, people in this age group are more likely to be renters and renters are more likely to live in multifamily housing. Homeownership rates increase with the age until age 75, when homeownership rates begin to decrease. Ownership of single-family housing types is greatest for people aged 45 to 74. After age 55, the likelihood of owning a multifamily unit increases. Figure 5-2 shows these general patterns but also shows that these patterns are not absolute.

Figure 5-2. Tenure and household type by age and household head, Clackamas County, 2011



Source: American Community Survey, 2011 B25125.

Note: Single-family units include single-family attached and detached units and manufactured and mobile homes. Multifamily units include structures with two or more units per structure.

Figures 5-1 and 5-2 illustrate demographic relationships that can help to estimate future housing demands because housing life cycle and housing choice interact in predictable ways. The age of the household head is related with household size and income, which affect housing preferences. Income affects the ability of a household to afford their preferred housing type.

Local data suggest similar trends. Table 5-2 shows type of dwelling by tenure (owner/renter-occupied) in 2007-2011 for Damascus. In comparison with Clackamas County, Damascus had less multifamily housing; the 2007-2011 American Community Survey estimated that no Damascus households lived in duplexes or multifamily housing. All single-family attached units in Damascus were occupied by renters. In comparison with owner occupied households, renter households were more likely to live in a mobile home or manufactured unit.

Table 5-2. Housing units by type and tenure, Damascus, 2007-2011

Housing type	Owner Occupied			Renter Occupied			Total	
	Number	% by Tenure	% by Type	Number	% by Tenure	% by Type	Number	% by Type
Single-family detached	3,040	92%	96%	114	48%	4%	3,154	89%
Single-family attached	0	0%	0%	22	9%	100%	22	1%
Duplex	0	0%		0	0%		0	0%
Multifamily	0	0%		0	0%		0	0%
Mobile home	249	8%	71%	100	42%	29%	349	10%
Total	3,289	100%	93%	236	100%	7%	3,525	100%

Source: 2007-2011 American Community Survey, B25032

Table 5-3 shows type of dwelling by tenure (owner/renter-occupied) in 2011 for Clackamas County. The results show that single-family and manufactured (mobile home) housing types have a much higher ownership rate than other housing types—about 99% of owner-occupied units were in these housing types. Multifamily housing types, including duplexes, were predominately renter occupied. It is also notable that 46% of the single-family attached dwellings were renter-occupied. By contrast, 14% of single-family detached and 24% of mobile homes were renter occupied for 2011.

Table 5-3. Housing units by type and tenure, Clackamas County, 2011

Housing type	Owner Occupied			Renter Occupied			Total	
	Number	% by Tenure	% by Type	Number	% by Tenure	% by Type	Number	% by Type
Single-family detached	86,420	88%	86%	14,564	31%	14%	100,984	69%
Single-family attached	3,518	4%	54%	3,047	6%	46%	6,565	4%
Duplex	48	0%	4%	1,120	2%	96%	1,168	1%
Multifamily	892	1%	3%	26,584	56%	97%	27,476	19%
Mobile home	7,479	8%	76%	2,299	5%	24%	9,778	7%
Total	98,357	100%	67%	47,614	100%	33%	145,971	100%

Source: 2011 American Community Survey, B25032

HOUSING NEEDS BY INCOME LEVEL

Step four of the housing needs analysis as described in the DLCD Workbook is to develop an estimate of need for housing by income and housing type. This requires some estimate of the income distribution of future households in the community. These estimates presented in this section are based on (1) secondary data from the Census, and (2) analysis by ECONorthwest.

Metro's forecast (Table 5-1) indicated that Damascus will need 7,081 new dwelling units for the 2015-2035 period. The first step in estimating units by structure type is to evaluate income as it relates to housing affordability.

The Economic Opportunity Analysis describes how Damascus may develop a larger, more diverse business and employment base. With a wider variety of businesses, Damascus will have a wider variety of jobs and income levels. Workers at Damascus businesses will need affordable housing, including more affordable housing types, such as multifamily housing, single-family attached housing, and affordable single-family detached housing.

Table 5-4 shows an estimate of needed dwelling units by income level for the 2015-2035 period. The analysis uses market segments consistent with HUD income level categories based on the 2012 HUD median family income estimate for Clackamas County. Table 5-4 shows two estimates of needed dwelling units by income level under two scenarios: (1) where the income distribution in 2035 is similar to what Damascus has currently, with many relatively affluent households and (2) where income distribution in 2035 is similar to the County average, with a mix of affluent and low income households.

- **Existing income distribution in Damascus.** This estimate assumes that nearly 70% of households in Damascus continue to earn 80% or more of the County's median family income (MFI), consistent with Table 4-17. Under these assumptions, Damascus would need nearly 4,900 new dwelling units in market segments affordable to households earning 80% or more of MFI and about 2,200 units affordable to households earning less than 80% MFI. Damascus would need more than 1,100 units affordable to households earning less than 50% of MFI.
- **Existing income distribution in Clackamas County.** This estimate assumes that nearly 50% of households in Clackamas County continue to earn 80% or more of the County's median family income (MFI), consistent with the existing income distribution in Clackamas County according to the 2011 American Community Survey. Under these assumptions, Damascus would need nearly 3,500 new dwelling units in market segments affordable to households earning 80% or more of MFI and about 3,600 units affordable to households earning less than 80% MFI. Damascus would need more than 2,100 units affordable to households earning less than 50% of MFI.

It is reasonable to estimate that Damascus' housing need by income distribution will be somewhere between the current distribution (with 70% of households with income of 80% MFI or more) and Clackamas County's current distribution (50% of

households with income of 80% MFI or more). The implication for Damascus' future housing need is that the City will need more housing affordable to lower income households, which will result in a decrease in the share of housing from more than 95% of single-family housing for new housing built between 2015 to 2035.

Table 5-4. Estimate of needed dwelling units by income level, Damascus, 2015-2035

Market Segment by Income	Income Range	Existing conditions in Damascus		Existing conditions in Clackamas County		Financially Attainable Products	
		Number of Households	Percent of Households	Number of households	Percent of Households	Owner-occupied	Renter-occupied
High (120% or more of MFI)	\$86,400 or more	3,387	48%	2,225	31%	All housing types; higher prices	All housing types; higher prices
Upper Middle (80%-120% of MFI)	\$57,600 to \$86,400	1,484	21%	1,274	18%	All housing types; lower values	All housing types; lower values
Lower Middle (50%-80% of MFI)	\$36,000 to \$57,600	1,081	15%	1,496	21%	Manufactured on lots; single-family attached; duplexes	Single-family attached; detached; manufactured on lots; apartments
Lower (30%-50% of less of MFI)	\$21,600 to \$36,000	739	10%	1,001	14%	Manufactured in parks	Apartments; manufactured in parks; duplexes
Very Low (Less than 30% of MFI)	Less than \$21,600	390	6%	1,085	15%	None	Apartments; new and used government assisted housing

Source: Estimates by ECONorthwest based on HUD 2011 Median Family Income for Clackamas County, 2007-2011 American Community Survey for Damascus income data, and 2011 American Community Survey for Clackamas County income data.

HOUSING NEEDS BY TENURE AND TYPE

As described in the DLCD Workbook, this step results in an estimate of the needed net density range for each plan designation, based on the types of structures that are allowed, and on an estimate of the density at which each structure type is likely to develop based on development trends and local policies. Allowed structure types are the same as the needed housing types identified in ORS 197.303 and include:

- Single-family detached units – includes stick-built single-family detached units and manufactured homes on individual lots
- Manufactured – includes manufactured or mobile homes in mobile home parks. Manufactured homes on individual lots are treated as single-family detached dwellings.
- Single-family attached dwellings – includes owner-occupied condominiums, townhomes, row houses and other single-family attached units
- Multifamily – includes duplex, tri-plex, four-plex, and apartment buildings with five or more units.

The density and mix analysis does not include an estimate of needed government-assisted housing. ORS 197.303 requires cities to plan for government assisted housing. Government assisted housing can be any of the types listed above. The

analysis assumes that Damascus will allow government assisted housing in all of its residential designations. Because government assisted housing is similar in character as other housing (with the exception of government subsidies), it is not necessary to develop separate density estimates for these housing types.

The next step in the analysis is to relate income levels to tenure and structure type. Housing tenure by structure type is shown in Table 5-2 for Damascus and Table 5-3 for Clackamas County. Table 5-5 shows an estimate of needed dwelling units by type and tenure for Damascus from 2015 to 2035. Table 5-5 assumes:

- **Housing mix.** Damascus' current housing mix is 93% single-family housing types and 7% multi-family housing. The conclusion of the affordability analysis in Table 5-4 is that more than 30% and up to 50% of Damascus' new housing should be affordable to households earning less than 80% of MFI. The housing types most likely to be affordable to households in this income range are attached and multifamily housing types or older, smaller and less costly single-family dwellings.

Table 5-5 assumes a mix of new units developed between 2015 to 2035 of 60% single-family housing types and 40% multi-family housing types. This mix is based on the assumption that Damascus will need a larger share of multi-family housing types, as the City develops over the planning period.

- **Housing tenure.** Damascus' housing tenure was 91% owner-occupied and 9% renter-occupied. In comparison, Clackamas County's 2011 tenure was 69% owner-occupied and 31% renter-occupied. Table 5-5 assumes that 65% of new housing will be owner-occupied and 35% will be renter-occupied. This assumption is consistent with the conclusion of Table 5-4 that Damascus will need a wider range of housing choices, as the City urbanizes.

Table 5-5. Estimate of needed dwelling units by type and tenure, Damascus, 2015-2035

	Owner-Occupied		Renter-Occupied		Total	
	New DU	Percent	New DU	Percent	New DU	Percent
Single-family types						
Single-family detached	3,525	77%	653	26%	4,178	59%
Manufactured in Parks	65	1%	6	0%	71	1%
Subtotal	3,590	78%	659	27%	4,249	60%
Multi-family						
Single-family attached	92	2%	120	5%	212	3%
Multifamily	921	20%	1,699	69%	2,620	37%
Subtotal	1,013	22%	1,819	73%	2,832	40%
Total	4,603	100%	2,478	100%	7,081	100%

Source: ECONorthwest

The next step of the analysis provides an estimate of needed dwelling units by income ranges and housing type. Table 5-6 shows the estimate based on the estimate of housing need by type in Table 5-5 and the estimate of needed dwellings by type in Table 5-4. The overall mix is the same as shown in Table 5-5; the table allocates that mix to income ranges and housing types. Consistent with the Census and other data sources, households in higher income categories tend to choose single-family housing types at higher rates; households in lower income categories tend to choose multifamily housing types at higher rates.

Table 5-6. Estimate of needed dwelling units by type income range and housing type, Damascus, 2015-2035

Market Segment by Income	Income range	Single-family detached	Manufactured in Parks	Single-family attached	Multifamily	Total
High (120% or more of MFI)	\$86,400 or more	2,381	-	85	105	2571
Upper Middle (80%-120% of MFI)	\$57,600 to \$86,400	1,253	-	74	314	1641
Lower Middle (50%-80% of MFI)	\$36,000 to \$57,600	418	18	42	917	1395
Lower (30%-50% of less of MFI)	\$21,600 to \$36,000	84	32	8	681	805
Very Low (Less than 30% of MFI)	Less than \$21,600	42	21	3	603	669

Source: ECONorthwest

HOUSING NEEDS BY DENSITY RANGE

Table 5-7 shows the forecast of needed housing units by density in Damascus based on the total estimate of housing need shown in Table 5-5. The forecast shows land need in net and gross acres. *Net acres* refers to the amount of land needed for housing, not including public infrastructure (e.g., roads) or services (e.g., schools or parks). *Gross acres* refers to the estimated amount of land needed for housing inclusive of public infrastructure and services.

The forecast in Table 5-7 indicates that Damascus will need about 881 net residential acres, or about 1,057 gross residential acres to accommodate new housing between 2015 and 2035. The forecast results in an average residential density of 8.0 dwelling units per net residential acre and of 6.7 dwelling units per gross residential acre.

Table 5-7. Forecast of needed housing units by mix and density, Damascus, 2015-2035

Housing Type	New DU	Percent	Density (DU/net res ac)	Net Res. Acres	Net to Gross Factor	Gross Res. Acres	Density (DU/gross res ac)
Single-family types							
Single-family detached	4,178	59%	6.0	696	18%	849	4.9
Manufactured in Parks	71	1%	6.0	12	15%	14	5.1
Subtotal	4,249	60%	6.0	708		863	4.9
Multi-family							
Single-family attached	212	3%	9.0	24	15%	28	7.7
Multifamily	2,620	37%	17.5	150	10%	166	15.8
Subtotal	2,832	40%	16.3	173		194	14.6
Total	7,081	100%	8.0	881		1,057	6.7

Source: ECONorthwest

The following findings support the density assumptions used in Table 5-7:

- Nationally, homeownership rates decreased from their peak in 2006 due to the 2007-2009 recession and the national decline in the housing market. In 2011, the national homeownership rate was 65%. The homeownership rate in Damascus in 2010 much higher at 91%. The homeownership rate in Clackamas County in 2010 was 69%; the regional rate was 62%.
- Homeownership rates will decrease as Damascus adds urban density housing.
- The housing mix of Damascus in 2007-2011 was 100% single-family housing types (including single-family attached, detached, and manufactured units). About 80% of housing in Clackamas County was single-family types.
- Urban density housing development in Damascus in the early years of the planning cycle will trend toward single-family housing types. The lack of retail and services in Damascus will contribute to this trend.

- The number of needed new units will be directly tied to the City's infrastructure strategy. Wastewater treatment capacity will be the biggest determinant of the rate of housing development.
- Future annual residential development in Damascus would be between 150-300 units, assuming Damascus has the capacity to capture between 10% and 20% of new residential development in the County. This figure is based on recent building trends in the Clackamas County between 2000-2011.
- Because market trends suggest greater demand for single-family housing types during the planning period, housing mix and density was modeled using assumptions that the share of multifamily housing will increase to 40% of new housing and that overall housing density will be a minimum of 8 dwelling units per net buildable residential acre.
- The housing needs analysis assumes the following net and gross densities by housing type for the 2015-2035 period:

Table 5-8. Needed Density by Housing Type, Damascus, 2015-2035

Housing Type	Density (DU/Net Acre)	Avg Lot Size (sq. ft.)	Density (DU/Gross Acre)	Net to Gross Factor
Single-family detached	6.0	7,260	4.9	18%
Manufactured in parks	6.0	7,260	5.1	15%
Single-family attached	9.0	4,840	7.7	15%
Multifamily	17.5	2,489	15.8	10%

Source: ECONorthwest

Because Damascus does not currently allow urban density housing development, meaningful empirical data are not available for densities by housing type. These assumptions, however, are consistent with densities observed in other communities for similar housing types¹⁷ and with densities required for some cities within the Metro UGB in Clackamas and Washington Counties.¹⁸ The average lot sizes are derived from the net density assumptions (e.g., 43,560 sq. ft. per acre divided by net density equals average lot size in sq. ft.). The net to gross factors account for streets and other public right-of ways. The factors assume that higher densities equate to less need for right-of-way.

- Topography, lot configurations, and other factors typically reduce land use efficiency. The Metropolitan Housing Rule acknowledges this to some extent by setting density targets in terms of net *buildable* acres. The factors listed above, however, do not typically preclude housing development. There is plenty of empirical evidence that they consistently result in lower densities.

¹⁷ These include the cities of Sandy, McMinnville, Redmond, Medford, Grants Pass, Springfield, Lebanon, and Corvallis.

¹⁸ The Metropolitan Housing Rule requires that the cities of Forest Grove, Gladstone, Milwaukie, Oregon City, Troutdale, Tualatin, West Linn and Wilsonville achieve an overall density of eight or more dwelling units per net buildable acre (OAR 660-007-035).

- The needed housing mix and density results in an overall average needed density of 8.0 dwellings per net acre and 6.7 dwellings per gross acre.

In summary, the housing needs analysis assumes densities that can achieve the Metropolitan Housing Rule target of 8 dwelling units per net acre. The housing needs analysis also raises the possibility that the market will tend towards more single-family housing types which will result in net densities lower than the 8 dwelling unit per net acre target.

Based on the findings above, the housing needs analysis identifies the following needed density ranges by plan designation:

Table 5-9. Needed density range by generalized plan designation

Plan Designation	Needed Density Range
Low-Density Residential	3 to 8 DU/Net Acre
Medium Density Residential	6 to 12 DU/Net Acre
High Density Residential	10 to 25 DU/Net Acre
Mixed Use Residential/Commercial	15 to 30 DU/Net Acre

Source: ECONorthwest

The needed density ranges presented in Table 5-9 are based on generalized plan designations. While the designations above are relatively common, Damascus has not established plan designations. The City will need to review the needed density ranges after it establishes its residential plan designations.

SUMMARY

PROJECTED NUMBER OF DWELLING UNITS NEEDED IN THE NEXT 20 YEARS

Metro's "Gamma" forecast shows Damascus growing by 7,081 households and 15,769 people over the 2015 to 2035 period.

FACTORS THAT INFLUENCE HOUSEHOLDS' HOUSING CHOICES

Residential choice means the choice of both a location and a housing type. Factors that influence housing choice include: location relative to work, shopping, recreation, and friends; availability and price of public services; neighborhood characteristics; and desires for differing amounts of land and improvements.

Demographic characteristics also affect housing choices. The age of the household head is related with household size and income, which affect housing preferences. Income affects the ability of a household to afford their preferred housing type.

An analysis of housing data for Damascus suggests similar trends. The results show that single-family and manufactured (mobile home) housing types have a much higher ownership rate than other housing types—in Damascus, 100% of owner-

occupied units were in these housing types in 2007-2011. The 2007-2011 American Community Survey estimated that no Damascus households lived in duplexes or multifamily housing. All single-family attached units in Damascus were occupied by renters. In comparison with owner occupied households, renter households were more likely to live in a mobile home or manufactured unit.

HOUSING NEEDS

- Damascus will need about 4,600 new owner-occupied dwelling units and 2,480 new renter-occupied dwelling units. The majority of owner occupied dwellings will be single-family detached units and most renter-occupied units will be multifamily.
- About 43% of Damascus' housing needs will be for new dwelling units affordable to households with incomes below \$57,600. Damascus will need about 3,070 new units to serve this population, depending on housing mix.
- Damascus will need 881 net acres at a density of 8.0 dwelling units per net acre or 1,057 gross acres at a density of 6.7 dwelling units per gross acre.
- Based on the housing needs analysis, with an average density of 8.0 dwelling units per acre, the housing needs analysis identified the following needed density ranges by plan designation:

Table 5-10. Needed density range by generalized plan designation

Plan Designation	Needed Density Range
Low-Density Residential	3 to 8 DU/Net Acre
Medium Density Residential	6 to 12 DU/Net Acre
High Density Residential	10 to 25+ DU/Net Acre
Mixed Use Residential/Commercial	15 to 30+ DU/Net Acre

The needed density ranges presented in Table 5-10 are based on generalized plan designations. While the designations above are relatively common, Damascus has not established plan designations. Thus, the needed densities are presented in a demonstrative context. The City will need to review the needed density ranges after it establishes its residential plan designations.

Key Findings and Conclusions

This chapter summarizes the key conclusions from the housing needs analysis. The primary goals of this study are to (1) identify key trends that will affect housing needs in Damascus, (2) project the number of needed housing units by type and income level, and (3) project the amount of land needed to accommodate the city's future housing needs of all types.

This report presents a housing needs analysis that focuses on housing needs in the context of market demand and describes how demand is likely to affect housing in Damascus. Consistent with state policy, the housing needs analysis provides an estimate of housing needs by housing type, income level and density. The needs analysis relates household characteristics and income levels to housing types and density ranges.

To do this, the study considered demographic trends, housing market conditions, and housing need at a local and regional level. The remainder of this chapter summarizes key findings in each of these areas describes some of implications of those findings.

DEMOGRAPHIC TRENDS

Demographic trends drive housing needs. Damascus differs from Clackamas County and the Portland Region:

- Damascus' **average age was older** than Clackamas County, and the population is aging. In 2010, 48% of Damascus residents were over age 45, compared to 44% in Clackamas County and 38% in the region.
- Damascus had a slightly **larger share of households with children** and a **larger average household and family size** than Clackamas County or the Portland Region. In 2010, the median household size in Damascus was approximately 2.9; in Clackamas County, it was 2.56 and in the Portland Region it was 2.52.
- Damascus was **less ethnically and racially diverse** than Clackamas County or the Portland Region. In 2010, 91% of Damascus' residents reported being white alone, compared with 88% of Clackamas County residents and 81% of residents of the Portland Region. About 4% of Damascus' residents were Hispanic in 2010, compared with 8% of Clackamas County residents and 11% of residents of the Portland Region.
- Residents of Damascus **moved less often** than residents of Clackamas County and the Portland Region. For 2007-2011, 96% of residents of Damascus lived in the same house that they did the year before, compared to 86% of Clackamas County residents and 83% of Portland Region residents.

- Residents of Damascus had **higher income** than residents of Clackamas County and the Portland Region. Median household income in Damascus in 2007-2011 was \$83,772, higher than Clackamas County (\$63,790) or the Portland Region (\$57,307).
- Residents of Damascus had **similar education** levels to residents of Clackamas County and the region. For 2007-2011, 65% of Damascus residents had completed some college, or received an associate, bachelor, or graduate degree, compared with 68% of Clackamas County residents and Portland Region residents.
- Damascus had a **larger share of single-family detached homes** (90%) than either Clackamas County (73%) or the Portland Region (68%) and a correspondingly smaller share of multifamily homes in 2007-2011. Owner-occupied residents predominated in Damascus, representing 91% of all housing units in 2010 compared with 70% in Clackamas County and 62% in the Portland Region.
- Damascus had a **larger share of newer housing stock** than does Clackamas County or the Portland Region. Seventy-eight percent of Damascus' housing was built after 1970, compared with 71% of housing in Clackamas County and 65% of housing in the Portland Region.
- **Housing in Damascus was more expensive** than in neighboring cities of Sandy, Gresham, and Milwaukie. Damascus homes had an average and median sales price of \$288,196 and \$265,500 in 2012, respectively. The average Damascus sales prices increased by 35% between 2000 and 2012. Only Happy Valley and Lake Oswego had higher sales prices in 2012.

In summary, Damascus historically has been an affluent rural residential area with highly educated professionals that work in other areas of the Portland Region.

IMPLICATIONS OF DEMOGRAPHIC TRENDS

This demographic profile will begin to change as more urban-density housing is built, as a broader range of housing options are available, and as more employment opportunities emerge. The city can expect a more diverse population and that household sizes will decrease, median income decrease, and the percentage of individuals with a college degree will decrease. In short, the City can expect a shift toward a demographic profile that more closely mirrors Clackamas County.

HOUSING MARKET CONDITIONS

Housing market trends in the Portland Region are a function of regional growth and the demographic characteristics of existing and new households in the region. Damascus is a sub-market of the broader region.

Steady population and employment growth, combined with the constraints on buildable lands in the Portland Region, ensure that the housing market will maintain a solid underpinning for a long time to come, despite the correction that the entire nation is currently experiencing. In the long run, the metro area is expected to add an estimated one million people over the next 25 years, the large majority within the Urban Growth Boundary. If these estimates are correct, this will be enough people to ensure an on-going demand for all types of housing, new neighborhoods and even new cities.

The trends discussed above help to form a profile of the housing niche that Clackamas County currently fill in the region.

- **Clackamas County has grown at a slower rate** than Washington County and Clark County over the past decade. However, the conditions are good for faster growth in coming years with the addition of buildable lands in the Damascus and Springwater areas, and with increasingly constraints on residential lands in Washington County.
- The County has housing that matches its demographic profile (larger families, higher average income, ownership units): housing units in the County are **more likely to be single-family detached units**, and tend to be larger. New homes built and sold in 2009-2012 in Clackamas County were also priced **5% higher than the average** for Clackamas, Washington, and Multnomah counties.

IMPLICATIONS OF HOUSING MARKET CONDITIONS

In the short-term, housing demand in Damascus is likely to be relatively low as a result of the slow growth from the 2007-2009 recession and lack of urban-level infrastructure in Damascus. In the five- to ten-year range, ECO expects demand for new dwellings to increase in the Portland Region, both for owner-occupied and renter-occupied units. This expectation is based on improvements to the national and regional housing market, including more affordable housing prices resulting from the decrease in housing price since 2007.

The City of Damascus sits at the periphery of the broader Portland Region, and housing demand within the City will be substantively driven by regional trends. General growth in the metropolitan area will create a demand for housing, which will be allocated geographically within the region based on a complex array of factors, including personal preferences and the availability of product.

The City of Damascus has a number of locational attributes that make it attractive as a prospective residential location. These have historically included attractive topography and a semi-rural feel. Historical development patterns have yielded a relatively low-density land use pattern. As the area is increasingly urbanized, we expect the demand for housing in the area to be similar to that which has driven the East Clackamas County and Happy Valley markets over the last decade. We see several key household types driving this market:

- Value-oriented family market willing to accept longer commute times for a better housing product and stable school district;
- Luxury and move-up buyers attracted to the view potential of the area;
- Persons employed in the Clackamas Regional Center, Sunrise Corridor and along the I-205 Corridor.

As developable land supplies diminish to the west of Damascus, an increasing share of this demand is expected to shift to the Damascus area to the extent it can be accommodated. We differentiate between the demand for housing and “realized demand”. As an example, there may be a demand for 800 units per year of single family homes priced at \$250,000 per unit in Damascus, but this demand will only be “realized” if the product can be delivered. The distinction is between what could happen and what will happen.

Reflecting this, *a key determinant of actual realized demand in Damascus will be the area’s ability to accommodate potential growth.* If land is available with appropriate infrastructure and entitlements, it can be expected to immediately start capturing a share of the larger demand pool in East Clackamas County. The overall pool of new home sales in the broader area was in the range of 400 to 500 units per year in 2007. After 2007, housing construction dropped to a fraction of that number and is not expected to rebound in the near term. If the 2007 volume of new home sales returns when the housing market recovers, Damascus may expect to capture between 30% and 50% of the volume of new homes, and the annual sales pace could range from 120 to 250 units annually in the area. This could increase significantly over the 20-year period with transportation improvements and new services and employment opportunities to support the increasing population.

HOUSING NEEDS

Housing need is distinct from housing demand. Broadly defined, housing needs are the needs of everyone in the community at all income levels, as defined by Goal 10. A narrower definition of housing need, used by HUD and the Oregon Housing and Community Services Department, focuses on households that cannot find or afford housing. Housing demand is what households demonstrate they are willing to purchase in the market place.

REGIONAL HOUSING NEEDS

Determining the future housing needs in Damascus is difficult for a number of reasons. Damascus’ housing needs will change as it begins to build out, but is not clear precisely how they will change. ECO assumes that Damascus will be strongly influenced by regional housing needs, particularly those in Clackamas County, over the 20-year period. In short, Damascus will occupy a specific niche in the regional housing market and needs will be defined by broader trends in the region.

Based on the “Regional Affordable Housing Strategy,” the Metro region will need 90,479 new dwellings affordable to people making 50% or less of the regional median income by 2017. **Clackamas County is expected to provide about 12.2% or 11,053 affordable units in unincorporated Clackamas County.** When these affordable housing needs were determined, Damascus was part of unincorporated Clackamas County.

HOUSING NEEDS IN DAMASCUS

Housing needs are a function of a number of variables. Since statewide planning policy requires cities to plan for needed new units, a housing needs analysis always uses a population forecast as its foundation. Damascus’ housing needs analysis uses Metro’s “Gamma” population and household forecast as the foundational assumption about the amount of growth the City should expect over the next 20 years.

The housing needs analysis concluded that Damascus will **need 7,081 new dwelling units** to accommodate population growth between 2015 and 2035. Following are additional conclusions from the housing needs analysis:

- Damascus will need about 4,600 **new owner-occupied dwelling units and about 2,480 new renter-occupied dwelling units**. The majority of owner occupied dwellings will be single-family detached units and most renter-occupied units will be multifamily.
- About 43% of Damascus’ housing needs will be for new dwelling units affordable to households with incomes below \$57,600. Damascus will need about 3,070 new units to serve this population, depending on housing mix.
- Damascus will need 881 net acres at a density of 8.0 dwelling units per net acre or 1,057 gross acres at a density of 6.7 dwelling units per gross acre.

IMPLICATIONS OF HOUSING NEEDS

The housing needs analysis presented in this report is based on the assumption that the City will not be able to provide infrastructure to accommodate full buildout in the 2015-2035 planning horizon (or in the 20-year period after it completes the comprehensive plan).

The actual rate of development will depend on a number of factors that are difficult to assess at this time. Regional population forecasts suggest that population growth will create demand for housing throughout the region; including in Damascus. In our assessment, the City’s ability to provide services to land will be the biggest determinant of how much growth the City actually gets. The market assessment presented in Chapter 4 of this report concluded that the annual sales pace would range from 120 to 250 units annually.

What is clear is that the City must plan for identified housing needs. This is somewhat challenging, because the demographic and socio-economic

characteristics of Damascus household's will change as the City urbanizes. The City can expect a broader range of household types, more young households, and more households with lower incomes. All of this points to a need for a broader range of housing, including multifamily housing types.

KEY POLICY ISSUES

The Metropolitan Housing Rule and Metro Functional Plan has several specific requirements that Damascus must address in its comprehensive plan and implementing ordinances. Of these, the two most important are (1) housing mix, and (2) density. Damascus must either adopt policies that address the 50/50 housing mix requirement and the 8 dwelling unit per net buildable acre density target, or provide justification for different assumptions.

The housing needs analysis identifies a number of additional policy issues that are outside the scope of this report:

4. *Land capacity.* Damascus has completed its Natural Features Inventory and the city is working towards a protection strategy that meets both the State's Goal 5 program requirements and Metro's Title 3 (Water Quality Resources) and Title 13 (Nature in the Neighborhoods). Natural resource policies will be determined prior to Damascus completing a final Buildable Lands Analysis.
5. *Land use designations.* OAR 660-007 requires cities to establish residential plan designations. It also allows local governments to defer the assignment of specific residential plan designations in certain circumstances including that "uncertainties concerning the funding, location and timing of public facilities have been identified in the local comprehensive plan." (OAR 600-007-0018)
6. *Housing density and mix.* OAR 660-007-0035 sets specific density targets for cities in the Metro UGB. Damascus is not included in the density targets because it incorporated after the last amendments to the rule. Because Damascus does not have an acknowledged plan, and because it is not specifically listed in the density targets of the Metropolitan Housing Rule, it is unclear what the City's legal obligation is under the Rule.

Housing

Efficiency Measures¹⁹

Appendix A

This Appendix presents a menu of housing efficiency measures for Damascus to consider. The discussion of each measure includes a description of the policy, what its intended effects are, and a discussion of how to evaluate, or if possible, estimate, each measure's impact on land holding capacity. This Appendix is not intended to provide an in-depth discussion of policy language or how to implement and administer specific policies. Moreover, not all of the measures included in this appendix will be applicable immediately in Damascus.

It is common for jurisdictions to adopt combinations of policies to manage growth and improve the efficiency and holding capacity of land uses. Such policy groupings, however, are not necessarily cumulative in their intent or impact. Policies that address similar issues may not be mutually reinforcing. For example, having policies in residential zones for maximum lot size and minimum density essentially address the same issue—density in residential zones. Thus, Damascus should carefully consider their policy programs and evaluate each policy both individually and in consideration of other policies.

¹⁹ This appendix builds from previous work by ECONorthwest.

Table 1. Applicability of land use efficiency measures

Measures to increase density	Description	Potential Benefits	Scale of Impact
Permit Accessory Dwelling Units (ADUs) in single family zones.	<p>Communities use a variety of terms to refer to the concept of accessory dwellings: secondary residences; “granny” flats; and single-family conversions, among others. Regardless of the title, all of these terms refer to an independent dwelling unit that shares, at least, a tax lot in a single-family zone. Some accessory dwelling units share parking and entrances. Some may be incorporated into the primary structure; others may be in accessory structures. Accessory dwellings can be distinguished from “shared” housing in that the unit has separate kitchen and bathroom facilities. ADUs are typically regulated as a conditional uses. Some ordinances only allow ADUs where the primary dwelling is owner-occupied.</p> <p>Metro Functional Plan, Title 1, requires local governments to “authorize the establishment of at least one ADU for each detached single-family dwelling unit in a zoning district and for each detached and attached SFD in a regional center or station community. The authorization may be subject to reasonable regulation for siting and design purposes” (Section 3.07.140.c)</p>	<p>Increases residential land holding capacity. Densities are increased within existing developed areas with minimal visual disruption.</p>	<p>Small. Communities that have adopted ADU ordinances have generally reported that few applications occur each year. Moreover, single-family subdivisions may have CC&Rs that prohibit ADUs.</p>
Provide Multifamily Housing Tax Credits to Developers	<p>Local governments can provide tax credits to developers for new or rehabilitated multi-family housing. Tax credits provide an incentive to developers by reducing future tax burden. In some markets, this can make projects financially feasible. This policy is intended to encourage development of multifamily housing, primarily in urban centers. This policy is primarily applicable in larger cities and is typically offered for projects that meet specific criteria.</p>	<p>This encourages increased and improved residential opportunities within urban centers where there is insufficient housing. It is intended to stimulate new multifamily housing construction as well as rehabilitation of existing vacant and under-utilized buildings for multifamily housing targeting both renters and owners.</p>	<p>Small to moderate. Successful cities in the Puget Sound Region typically facilitate fewer than 100 dwelling units per year using this policy.</p>

Measures to increase density	Description	Potential Benefits	Scale of Impact
Provide Density Bonuses to Developers	The local government allows developers to build housing at densities higher than are usually allowed by the underlying zoning. Density bonuses are commonly used as a tool to encourage greater housing density in desired areas, provided certain requirements are met. This policy is generally implemented through provisions of the local zoning code and is allowed in appropriate residential zones.	Bonuses can increase densities in urban areas and create an incentive for providing neighborhood amenities. They can also be used as receiving zones to preserve resource lands by buying or transferring development rights from rural to urban areas.	Moderate to large. Depending on the type and amount of bonus, this approach can result in densities of 200% or more of allowable density.
Transfer/Purchase of Development Rights	This policy is intended to move development from sensitive areas to more appropriate areas. Development rights are transferred to "receiving zones" and can be traded. This policy can increase overall densities. This policy is usually implemented through a subsection of the zoning code and identifies both sending zones (zones where decreased densities are desirable) and receiving zones (zones where increased densities are allowed).	These techniques can protect rural resource lands and reduce sprawl outside UGAs. They also may be used to protect critical areas while still allowing development on lots that contain unbuildable areas. They encourage the more efficient use of land and promote densities where they can be provided most cost effectively.	Small to moderate. Actual impact will depend on the extent to which the policy is used. TDRs may have little impact on overall densities since overall density is not changed; rather it is moved around. TDRs can be used to encourage higher densities in selected areas.
Allow Clustered Residential Development	Clustering allows developers to increase density on portions of a site, while preserving other areas of the site. Clustering is a tool most commonly used to preserve natural areas or avoid natural hazards during development. It uses characteristics of the site as a primary consideration in determining building footprints, access, etc. Clustering is typically processed during the site review phase of development review.	Clustering may allow more efficient use of land in addition to providing open space. The technique also encourages a neighborhood feeling. It allows critical areas to be protected while still permitting both urban and rural development.	Moderate. Clustering can increase density, however, if other areas of the site that could otherwise be developed are not developed, the scale of impact can be reduced.
Allow Co-housing	Co-housing communities balance the traditional advantages of home ownership with the benefits of shared common facilities and connections with neighbors. This approach would be implemented through the local zoning or development code and would list these housing types as outright allowable uses in appropriate residential zones.	It provides another choice in a variety of housing options.	Small. While co-housing may be able to achieve multi-family housing densities, it is unlikely that this housing type would make up a large portion of new housing stock, thereby diminishing its impact.

Measures to increase density	Description	Potential Benefits	Scale of Impact
Allow Duplexes, Townhomes, and Condominiums	Allowing these housing types can increase overall density of residential development and may encourage a higher percentage of multi-family housing types. This approach would be implemented through the local zoning or development code and would list these housing types as outright allowable uses in appropriate residential zones.	These housing types can increase overall density of residential development. They provide additional affordable housing options and allow more residential units than would be achieved by detached homes alone.	Small to moderate. Most jurisdictions already allow these housing types.
Increase Allowable Residential Densities	This approach seeks to increase holding capacity by increasing allowable density in residential zones. It gives developers the option of building to higher densities. This approach would be implemented through the local zoning or development code.	Higher densities increase residential land holding capacity. Higher densities, where appropriate, provide more housing, a greater variety of housing options, and a more efficient use of scarce land resources. Higher densities also reduce sprawl development and make the provision of services more cost effective.	Moderate to high. The actual impact will depend on the amount of the density increase and the size of area upon which it is applied.
Mandate Maximum Lot Sizes	This policy places an upper bound on lot size and a lower bound on density in single-family zones. For example, a residential zone with a 6,000 sq. ft. minimum lot size might have an 8,000 sq. ft. maximum lot size yielding an effective net density range between 5.4 and 7.3 dwelling units per net acre.	Ensures minimum densities in residential zones by limiting lot size. Places bounds on building at less than maximum allowable density. Maximum lot sizes can promote appropriate urban densities, efficiently use limited land resources, and reduce sprawl development.	High. The actual impact depends on the amount of underbuild observed in single-family residential zones.
Mandate Minimum Residential Densities	This policy is typically applied in single-family residential zones and is places a lower bound on density. Minimum residential densities in single-family zones are typically implemented through maximum lot sizes. In multiple-family zones they are usually expressed as a minimum number of dwelling units per net acre. Such standards are typically implemented through zoning code provisions in applicable residential zones. The Metro Functional Plan, Title 1, requires that local governments adopt a minimum dwelling unit density for each zoning district in which DU are authorized inside the UGB (section 3.07.140)	This policy increases land holding capacity. Minimum densities promote developments consistent with local comprehensive plans and growth assumptions. They reduce sprawl development, eliminate underbuilding in residential areas, and make provision of services more cost effective.	Moderate to large. The actual impact depends on the observed amount of underbuild and the minimum density standard.

Measures to increase density	Description	Potential Benefits	Scale of Impact
Reduce Street Width Standards	This policy is intended to reduce land used for streets and slow down traffic. Street standards are typically described in development and/or subdivision ordinances. Reduced street width standards are most commonly applied on local streets in residential zones.	Narrower streets make more land available to housing and economic-based development.	Moderate. Land used for streets and other public facilities ranges from 15% to 30% or more depending on the type of development. Narrow streets can reduce land used for streets by 25% resulting in a decrease 5%-10% in total land consumption.
Allow Small Residential Lots	Small residential lots are generally less than 5,000 sq. ft. This policy allows individual small lots within a subdivision or short plat. Small lots can be allowed outright in the minimum lot size and dimensions of a zone, or they could be implemented through the subdivision or planned unit development ordinances.	This policy is intended to increase density and lower housing costs. Small lots limit sprawl, contribute to the more efficient use of land, and promote densities that can support transit. Small lots also provide expanded housing ownership opportunities to broader income ranges and provide additional variety to available housing types.	Small to moderate. Cities have adopted minimum lot sizes as small as 3,000 sq. ft. However, it is uncommon to see entire subdivisions of lots this small. Small lots typically get mixed in with other lot sizes.
Encourage Infill and Redevelopment	This policy seeks to maximize use of lands that are fully-developed or underdeveloped. Make use existing infrastructure by identifying and implementing policies that (1) improve market opportunities, and (2) reduce impediments to development in areas suitable for infill or redevelopment.	Can reduce sprawl development by reusing land within developed areas and where services are already provided, contributing to more efficient use of land. Infill and redevelopment can increase density of development, but does not always have that effect.	Small to moderate. Scale of impact depends on the amount of land available for infill.

Table 2. Applicability of land use efficiency measures

- Directly applicable
* Partially applicable

Measures to increase density	Applicability of Measure									
	Increases densities	Increases redevelopment	Increases Infill	Changes housing type/ increases options	Provides affordable housing	Economic Development	Make efficient use of infrastructure	Ensure efficient land uses	Urban design/ form	Prevents development in critical areas
Permit Accessory Dwelling Units (ADUs) in single family zones	*		●	*	●		●			
Provide Multifamily Housing Tax Credits to Developers	●		●	●	*		*	●		
Provide Density Bonuses to Developers	●	*	*	*	*		●	●		
Transfer/Purchase of Development Rights	●	*	*	*	*		*			
Allow Clustered Residential Development	*			●	*		*	*		●
Allow Co-housing	*	*	*	*	●					
Allow Duplexes, Townhomes, and Condominiums	*		*	●	●		*			
Increase Allowable Residential Densities	●				*					
Mandate Maximum Lot Sizes	●				*		*	●		
Mandate Minimum Residential Densities	●				*		*	●		
Reduce Street Width Standards	●				*		*	●		
Allow Small Residential Lots	●				●		*	●		
Encourage Infill and Redevelopment	●	●	●		*		*	●		

Source: ECONorthwest

IMPLICATIONS

The key issue for Damascus will be determining whether the measures will (1) have a measurable impact on the capacity of land to accommodate needed housing types, (2) will lead to meaningful increases in that capacity, and (3) will be implemented in a manner that will lead to the intended outcomes. The second issue is an important one: Goal 10 provides little guidance on how much density increase or mix shift is enough.

Damascus should focus on the following items:

- Does each proposed measure address an identified need or deficiency?
- Does the measure have a reasonable probability of addressing the need or deficiency?
- Would other measures be more effective at addressing the need or deficiency?
- Will the measure have a quantifiable impact on the capacity of land to accommodate development?

State policy is also unclear on how many reasonable measures jurisdictions are required to adopt to achieve consistency.

National Housing Trends

An important step in a housing needs assessment is to identify relevant national and state demographic and economic trends and factors that affect local housing markets. This Appendix summarizes trends in national housing markets.

The evaluation of housing trends that follows is based on previous research conducted by ECONorthwest for other housing needs studies as well as new research to update the evaluation of trends that may affect housing mix.

OVERVIEW

The *State of the Nation's Housing, 2012* report from the Joint Center for Housing Studies of Harvard University summarizes the national housing outlook as follows:

“After several false starts, there is reason to believe that 2012 will mark the beginning of a true housing market recovery. Sustained employment growth remains key, providing the stimulus for stronger household growth and bringing relief to some distressed homeowners. Many rental markets have already turned the corner, giving a lift to multifamily construction but also eroding affordability for many low-income households. While gaining ground, the homeowner market still faces multiple challenges. If the broader economy weakens in the short term, the housing rebound could again stall.”²⁰

The national housing market continues to suffer from a large backlog of foreclosed homes, large numbers of ‘underwater’ mortgages, and high vacancy rates. The eventual recovery of the national housing market is dependent on near-term resolution of outstanding foreclosures and long-term job growth and expansion of the economy.

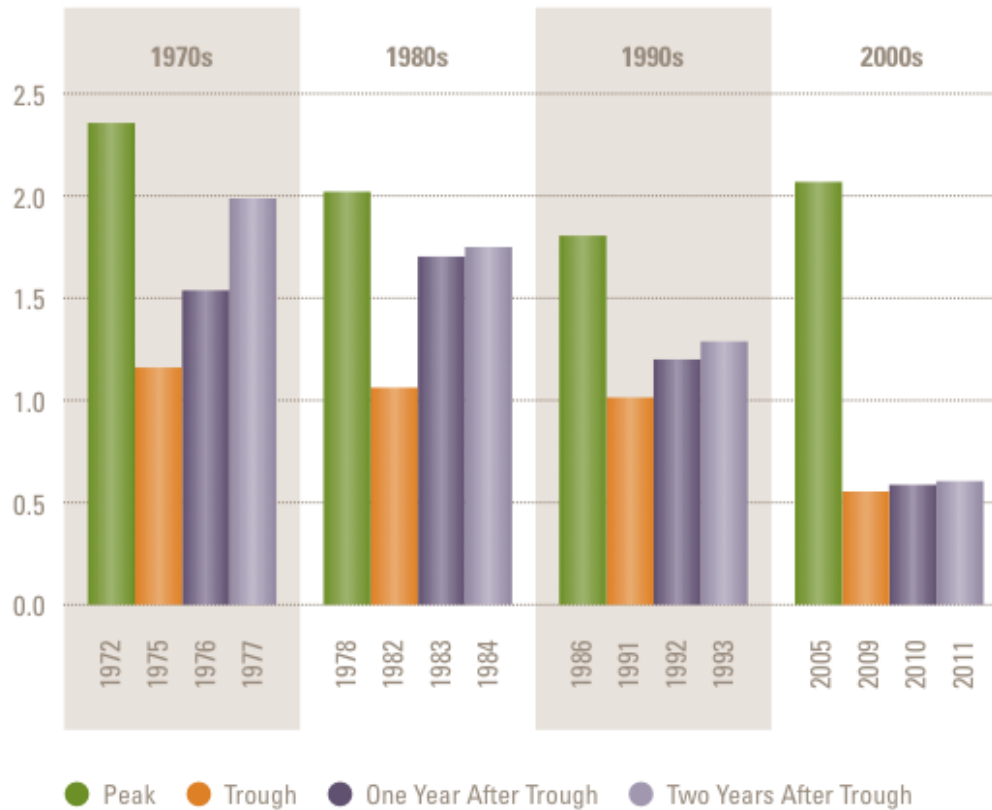
RECENT TRENDS IN HOME OWNERSHIP AND DEMAND

The last seven years saw a continuation of the significant departure from the recent housing boom that had lasted for 13 consecutive years (1992-2005). While strength in early 2005 pushed most national housing indicators into record territory, the market began to soften and sales slowed in many areas in the latter half of 2005. By 2006, higher prices and rising interest rates had a negative impact on market demand. Investor demand, home sales and single-family starts dropped sharply. Growth in national sales prices also slowed. By 2007 and early 2008, housing market problems had reached the rest of the economy, resulting in a nationwide economic slowdown and recession. The slowdown has continued through 2012, although the national housing market shows signs of recovery.

²⁰ <http://www.jchs.harvard.edu/research/publications/state-nation%E2%80%99s-housing-2012>

Figure B-1 shows the housing market cycles for the last four decades, from the 1970's through the 2000's. The housing downturn and recovery in the 2000's is weaker than any housing cycle since the 1970's. Most notably, housing starts have been below 1 million units per year since 2009, with little of the rebound present after housing troughs in other decades.

Figure B-1. Housing market cycles, 1970's to 2000's



Source: The State of The Nation's Housing, 2012, The Joint Center for Housing Studies of Harvard University, p. 8.
<http://www.jchs.harvard.edu/son/index.htm>

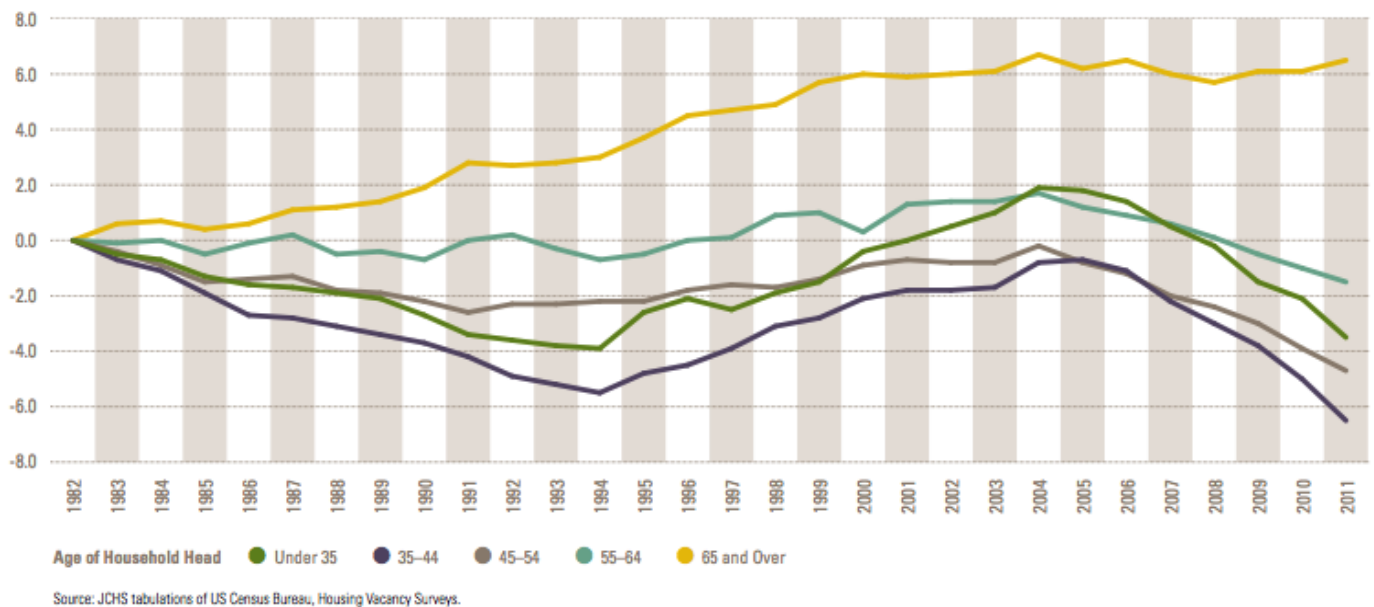
From 2000 to 2005 housing starts and manufactured home placements appeared to have been roughly in line with household demand. In 2005, with demand for homes falling but construction coming off record levels, the surplus of both new and existing homes was much higher than in recent years. Between July 2006 and January 2009, the number of new homes for sale fell by 41% and demand dropped even faster. The supply of new homes for sale reached 12.4 months, the highest in U.S. history.

Home sales remained lackluster through most of 2011, but increased strongly in late 2011 and early 2012. The supply of new homes for sale reached 6.2 months in the first quarter of 2012, the lowest level since 2006. According to the Joint Center for Housing Studies, a six-month supply is a rough indicator of market balance.

However, the promising home supply figures do not account for the number of vacant units held off the market. In 2011, the number of vacant units held off market rose to 5.5% of housing stock, up from about 4.5% in 2000-2002. When these units come on the market, they could drag home prices down further.

The Joint Center for Housing Studies concludes that the cooling housing market in 2006 and the foreclosure crisis have had an immediate impact on homeownership (Figure B-2). Homeownership peaked at 69.9% in 2005. After 13 successive years of increases, the national homeownership rate slipped each year from 2005 to 2011 and was at 65.4% in the first quarter of 2012. The Joint Center for Housing Studies predicts that the homeownership rate will continue to decline in the near-term due to the foreclosure backlog and tight credit conditions. As Figure B-2 shows, the homeownership rate among seniors has remained high.

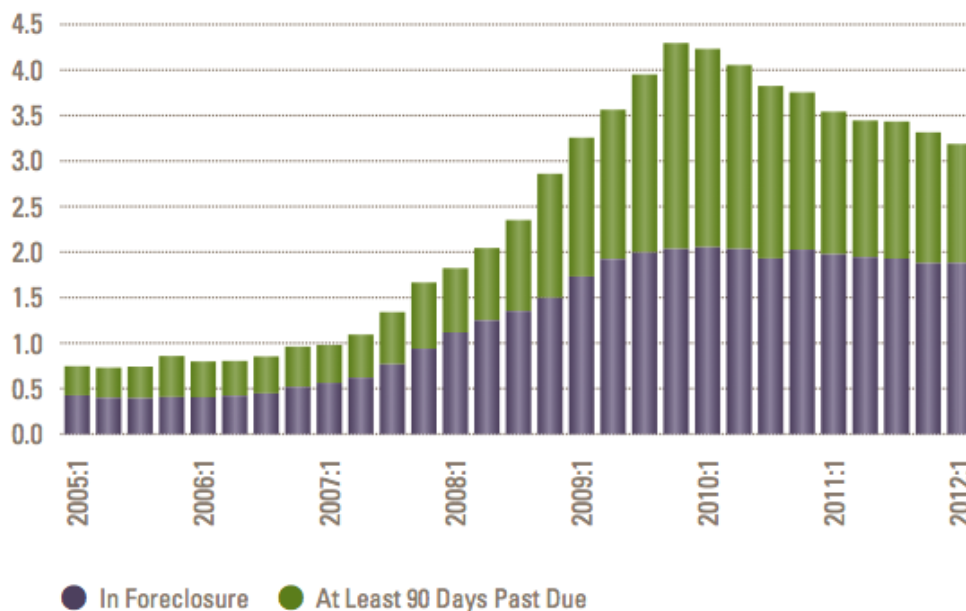
Figure B-2. Change in Homeownership Rate (percentage points) by age group, 1982-2011.



Source: The State of The Nation's Housing, 2012, The Joint Center for Housing Studies of Harvard University, p. 3.
http://www.jchs.harvard.edu/research/state_nations_housing

The number of delinquent loans or home foreclosures has begun to decrease, although a large number of homes remain in foreclosure proceedings. As Figure B-3 shows, the number of loans 90 days or more delinquent decreased since its peak in late 2009. At the end of 2009, 5.1% of mortgages were 90 days or more delinquent; by the first quarter of 2012, the percent had fallen to 3.1%. Over the same period, the backlog of loans in the foreclosure process decreased only slightly, from 4.6% to 4.4% of mortgages. Delinquencies and foreclosures are concentrated by state, with California, Florida, Nevada, and Arizona hit particularly hard. Between early 2007 and the first quarter of 2010, 6.1 million foreclosure notices were issued on first-lien loans. In early 2010, the number of loans in the foreclosure process was 2.1 million, which was nearly four times the number of foreclosures in process three years earlier.

Figure B-3. Number of loans (millions) in foreclosure proceedings



Note: MBA estimates that the survey covers 85–88 percent of loans outstanding.

Source: JCHS tabulations of Mortgage Bankers Association, National Delinquency Surveys.

Source: State of the Nation's Housing, 2012. The Joint Center for Housing Studies of Harvard University, p. 3. http://www.jchs.harvard.edu/research/state_nations_housing

Since 2008, foreclosures have contributed to sharp decrease in housing prices, leaving roughly 11.1 million homeowners underwater on their mortgages (where the value of the house is less than the owner's mortgage). These loans equate to \$717 billion in negative equity. As with home foreclosures, underwater mortgages are concentrated geographically. In Nevada, 61% of mortgages are underwater, the highest rate in the country. Florida and California account for more than a third of the nation's underwater mortgages.

LONG RUN TRENDS IN HOME OWNERSHIP AND DEMAND

The long-term market outlook shows that homeownership is still the preferred tenure. While further homeownership gains are likely during the next decade, they are not assured. Additional increases depend, in part, on the effect of foreclosures on potential owner's ability to purchase homes in the future, as well as whether the conditions that have led to homeownership growth can be sustained. The Urban Land Institute forecasts that homeownership will decline to the low 60 percent range by 2015.²¹

The Joint Center for Housing Studies indicates that demand for new homes could total as many as 12 million units nationally between 2010 and 2020. The location of these homes may be different than recent trends, which favored lower-density development on the urban fringe and suburban areas. The Urban Land Institute

²¹John McIlwain, "Housing in America: The Next Decade," Urban Land Institute

identifies the markets that have the most growth potential are “global gateway, 24-hour markets,” which are primary coastal cities with international airport hubs (e.g., Washington D.C., New York City, San Francisco, or Seattle). Development in these areas may be nearer city centers, with denser infill types of development.²²

The Joint Center for Housing Studies also indicates that demand for higher density housing types exists among certain demographics. They conclude that because of persistent income disparities, as well as the movement of the echo boomers into young adulthood, housing demand may shift away from single-family detached homes toward more affordable multifamily apartments, town homes, and manufactured homes.

HOME RENTAL TRENDS

Nationally, the rental market continues to experience growth, adding 1.0 million rental households in 2011 and averaging 730,000 new rental households per year from 2005 through 2011. After an increase in the overall rental vacancy rate from 9.6% in 2007 to 10.6% in 2009, the rental market has begun to tighten. The rental vacancy rate fell to 9.5% in 2011.

Over the longer term, the Joint Center for Housing expects demand for rental housing to continue to grow. Minorities will be the largest driver of rental demand, because they are on average younger and less likely to own homes than whites. In 2011, minorities accounted for 46% of rental households but only 30% of all households. From 2004 to 2011, minorities contributed 59% of the growth in number of rental households. The foreign-born share of renter-occupied households increased from 17.4% in 2000 to 19.6% in 2009 and the number of Hispanic renters has increased from 1.9 million in 1980 to 7.0 million in 2009. Demographics will also play a role. Growth in young adult households will increase demand for moderately priced rentals, in part because the oldest echo boomers reached their late-20s in 2010. Meanwhile, growth among those between the ages of 45 and 64 will lift demand for higher-end rentals. Given current trends in home prices and interest rates, conditions will become increasingly favorable for rental markets in the coming years.

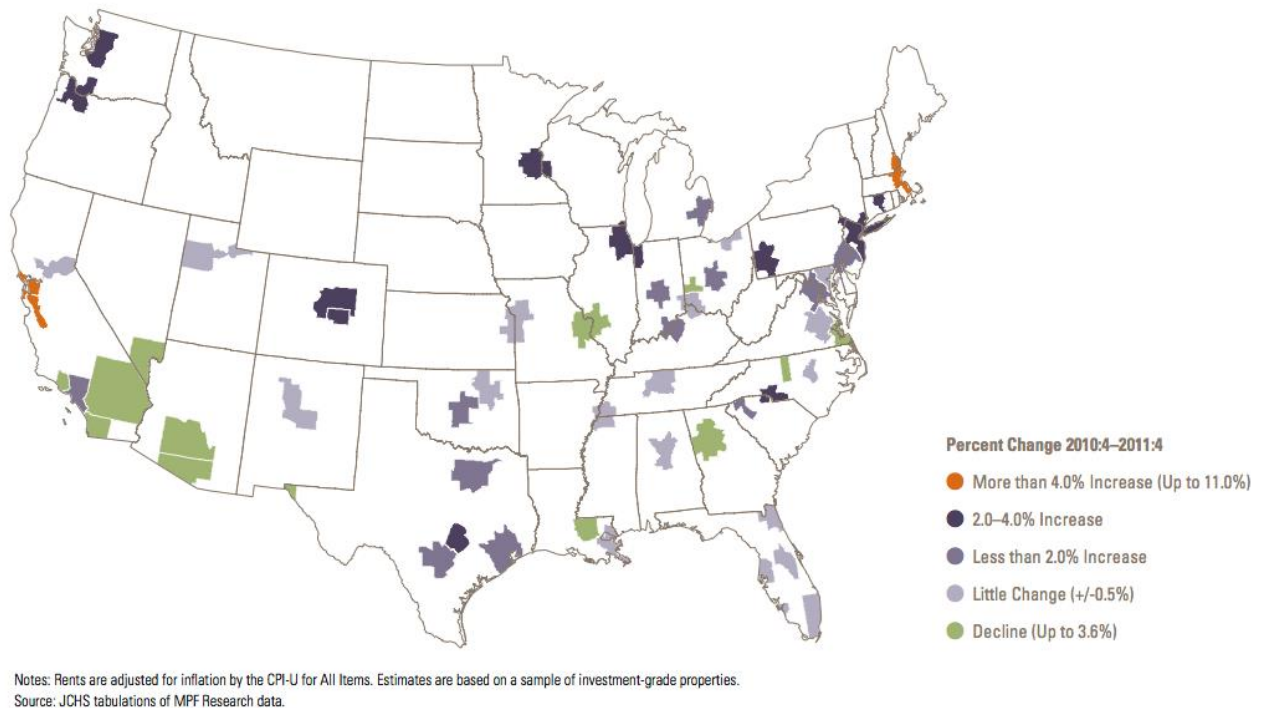
The Joint Center for Housing Studies highlights two recent trends in rental demographics: growth in demand among married couples and higher-income households. Increasingly, married couples rent rather than own. From 2006-2011, married couples accounted for 50% of the growth in renter households. In the last five years, the number of higher-income households renting has also increased. It is unclear whether these trends are solely a result of the foreclosure crisis and the Great Recession or if they will persist as the economy improves.

Despite decades of growth and the recent decline in vacancy rates, rents have failed to keep pace with inflation. Between the peak in late 2008 and April 2010, inflation-adjusted rents fell by 2.9%. Between 2010 and 2011, inflation-adjusted

²² Urban Land Institute, “2011 Emerging Trends in Real Estate” and “2012 Emerging Trends in Real Estate”

rents decreased by 1.5%. Although falling rents show signs of a weak rental housing market, they do help to alleviate pressure on low-income households struggling to pay their rent. However, the upper-end of the rental market is showing widespread increases in rent. In 2011, inflation-adjusted rent increased in nearly 60% of the markets tracked by MPF Research (Figure B-4). Rent increases were largest in the West (5.2%) and the Northeast (6.5%).

Figure B-4. Inflation-adjusted change in rents, fourth quarter 2010 to fourth quarter 2011 in 64 metro areas



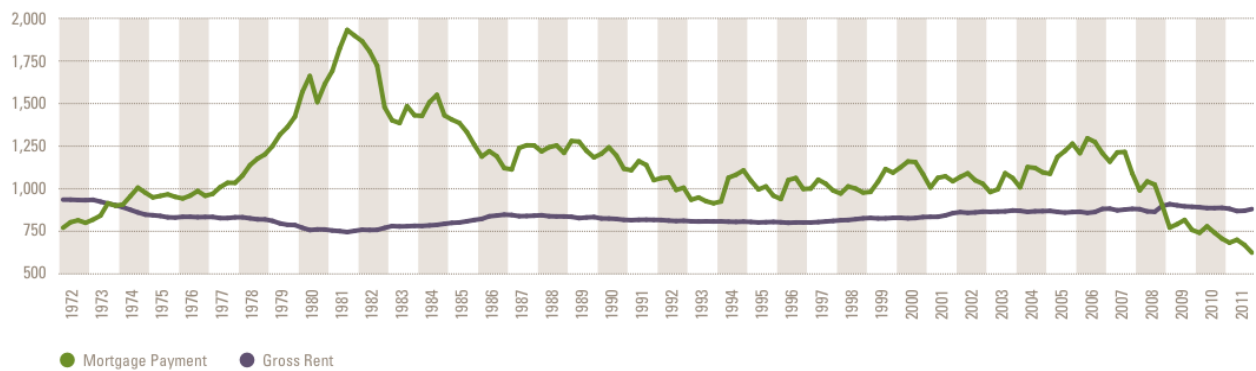
Source: State of the Nation's Housing, 2012. The Joint Center for Housing Studies of Harvard University, p. 25.
http://www.jchs.harvard.edu/research/state_nations_housing.
 Note: MPF Research data looks at professionally managed properties with 5 or more units in 64 metro areas.

TRENDS IN HOUSING AFFORDABILITY

House prices declined since the height of the housing bubble. Between October 2005 and March 2010, the median house price decreased by 26 percent. The price declines were about 50% greater than price declines at the high end of the housing market. The median home sales price dropped from 4.7 times the median household income in 2005 to 3.4 times median household income in 2009.

Figure B-5 shows a comparison of monthly housing costs for mortgage payments and gross rent, in 2011 dollars. For the first time since the early 1970's, monthly housing costs for mortgages on the typical home are less costly than the average rental unit.

Figure B-5. Monthly housing costs for mortgage payment and gross rent costs, 2011 dollars



Source: State of the Nation's Housing, 2012. The Joint Center for Housing Studies of Harvard University, p. 4.
http://www.jchs.harvard.edu/research/state_nations_housing.

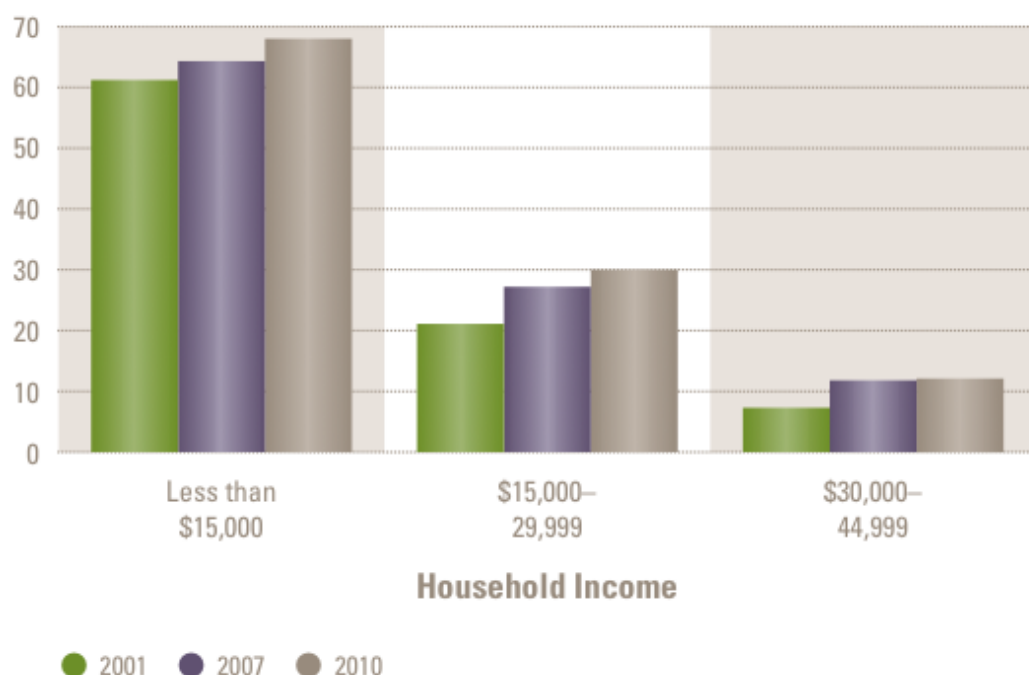
Despite widespread falling house prices, affordability problems have not improved significantly. A median-priced single-family home under conventional terms in 2007 (10% down payment and 30-year fixed rate loan) only costs \$76 per month and \$1,000 down payment less than a house bought in 2006, the year in which the sales prices of single-family homes were at their highest real price in history. Only 17 of the 138 National Association of Realtors-covered metropolitan areas have lower costs in 2007 than they did in 2003 when interest rates were bottomed out.

In 2010, more than one-third of American households spent more than 30% of income on housing, and 18% spent upwards of 50%.²³ The number of severely cost-burdened households (spending more than 50% of income on housing) increased by 6.4 million households from 2001 to 2010, to a total of nearly 20.2 million households in 2010. In 2010, there was a 5.1 million unit gap between supply and demand for affordable housing units.

Figure B-6 shows that lower income households are more likely to be severely cost-burdened and that the share of households with severe cost-burden increased between 2001 and 2010. The number of severely cost-burdened households earning under \$15,000 annually increased by about 1.5 million households between 2007 and 2010, which was nearly twice the increase between 2001 and 2007. With low-wage jobs increasing and wages for those jobs stagnating, affordability problems will persist even as strong fundamentals lift the trajectory of residential investment.

²³ 2010 American Community Survey, Table B25091 and Table B25070.

Figure B-6. Share of households with severe cost burden by household income, 2001, 2007, and 2010



Source: State of the Nation's Housing, 2012. The Joint Center for Housing Studies of Harvard University, p. 28. http://www.jchs.harvard.edu/research/state_nations_housing.

The Joint Center for Housing Studies points to widening income disparities, decreasing federal assistance, and depletion of inventory through conversion or demolition as three factors exacerbating the lack of affordable housing. While the Harvard report presents a relatively optimistic long-run outlook for housing markets and for homeownership, it points to the significant difficulties low- and moderate-income households face in finding affordable housing and preserving the affordable units that do exist.

According to the Joint Center for Housing Studies, these statistics understate the true magnitude of the affordability problem because they do not capture the tradeoffs people make to hold down their housing costs. For example, these figures exclude people who live in crowded or structurally inadequate housing units, some 2.5 million households in 2010. They also exclude the growing number of households that move to locations distant from work where they can afford to pay for housing, but must spend more for transportation to work. Among households in the lowest expenditure quartile, those living in affordable housing spend an average of \$100 more on transportation per month in 2010 than those who are severely housing cost-burdened. With total average monthly outlays of only \$1,000, these extra travel costs amount to 10 percent of the entire household budget.

DEMOGRAPHIC TRENDS IN HOUSING PREFERENCE

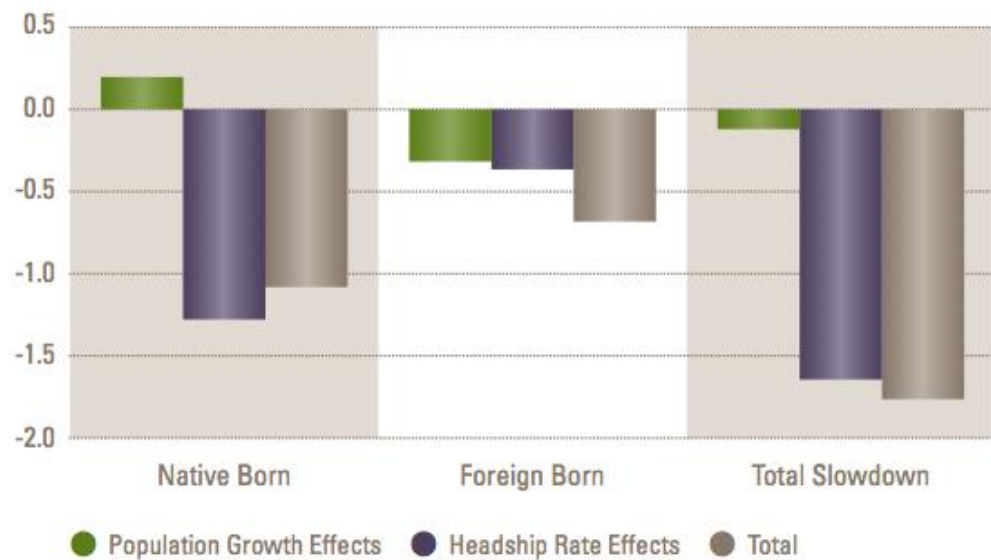
The demographic changes likely to affect the housing market and homeownership are:

- Immigrants and their descendants, who are a faster growing group than other households in the U.S.
- The aging of the baby boomers, the oldest of whom are in their late-60's in 2012.
- Housing choices of younger baby boomers, who are in their late 40's and early 50's in 2010
- The children of baby boomers, called the echo boomers, who range from their late teens to late twenties in 2012²⁴

According to the Joint Center for Housing Studies, immigration will play a key role in accelerating household growth over the next 10 years. About 40% of the fall-off in household growth between 2007 and 2011 was due to a drop in immigration (Figure B-7). Immigrants have traditionally comprised a growing share of young adults and children in the United States, but the number of foreign-born households under the age of 35 decreased by 338,400 between March 2007 and March 2009, compared to just 2,100 native-born households. The difficulty in assessing immigration during a recession results in an unclear picture of future housing demand. Deportations, emigration, and a weak US economy have all contributed to lower household formation among foreign-born non-citizens.

²⁴ Urban Land Institute, "2011 Emerging Trends in Real Estate"

Figure B-7. Contributions to slower household growth, 2007-2011, native-born and foreign-born populations (millions of households)



Notes: Change in household growth is measured relative to 2003–7. To reduce volatility, calculations are based on three-year rolling averages.

Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

Source: State of the Nation's Housing, 2012. The Joint Center for Housing Studies of Harvard University, p. 13. http://www.jchs.harvard.edu/research/state_nations_housing

The lower rate of household formation by the native-born population accounts for about 60% of the current slowdown in household growth (Figure B-7). Delayed household formation among the under-25 and 25-34 age groups is the strongest driver. More echo boomers are living with their parents; the share of under-25 year olds and 25-34 year olds living with their parents increased by 2.7 percentage points between 2006 and 2010. Headship rates among echo boomers are predicted to increase as the economy improves and as they age into older adulthood. The echo boomer generation, more populous than the baby boomers, is expected to be the primary driver of new household formation over the next twenty years.

The Joint Center for Housing Studies suggests that an aging population, and of baby boomers in particular, will drive changes in the age distribution of households in all age groups over 55 years. A recent survey of baby boomers showed that more than a quarter plan to relocate into larger homes and 5% plan to move to smaller homes.

The younger baby boomers face challenges resulting from the decrease in housing values, which has left many households with mortgages that are higher than the worth of the house. It may take years for the value of these houses to equal or exceed the value of the mortgage. Second home demand among upper-income homebuyers of all ages also continues to grow, many of whom may be younger baby boomers. The ability to purchase second homes may be negatively affected by diminished earnings and lack of equity in primary homes.

People prefer to remain in their community as they age.²⁵ The challenges that seniors face as they age in continuing to live in their community include: changes in healthcare needs, loss of mobility, the difficulty of home maintenance, financial concerns, and increases in property taxes.²⁶ Not all of these issues can be addressed through housing or land-use policies. Communities can address some of these issues through adopting policies that:

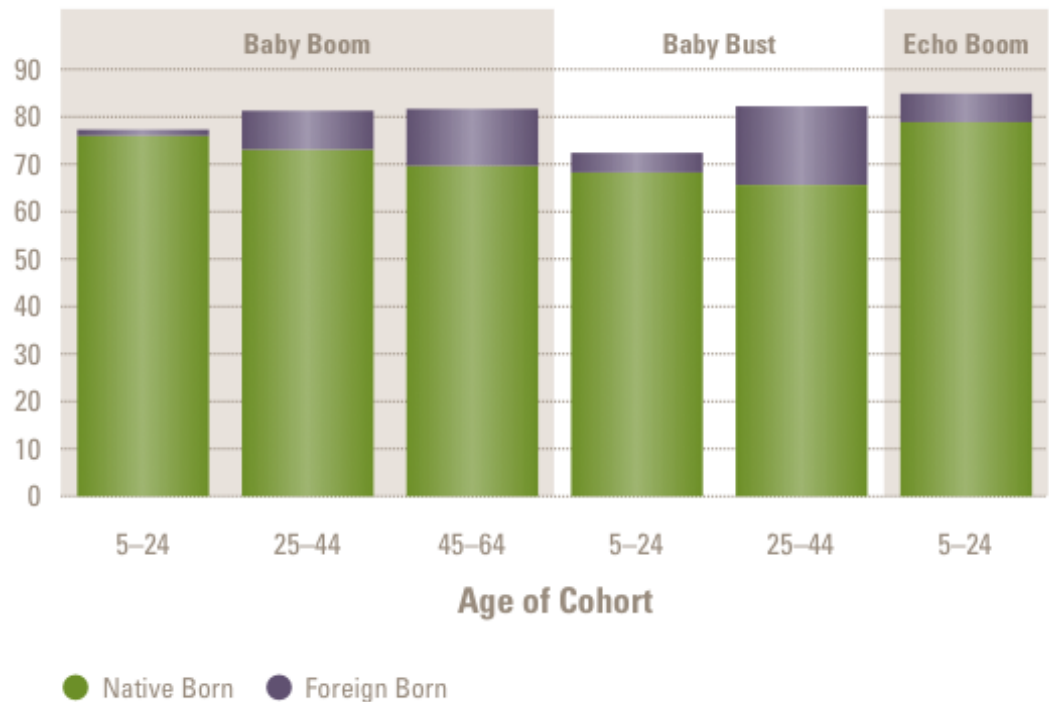
- Diversify housing stock to allow development of smaller, comparatively easily maintained houses in single-family zones, such as single story townhouses, condominiums, and apartments.
- Allow commercial uses in residential zones, such as neighborhood markets.
- Allow a mixture of housing densities and structure types in single-family zones, such as single-family detached, single-family attached, condominiums, and apartments.
- Promote the development of group housing for seniors that are unable or choose not to continue living in a private house. These facilities could include retirement communities for active seniors, assisted living facilities, or nursing homes.
- Design public facilities so that they can be used by seniors with limited mobility. For example, design and maintain sidewalks so that they can be used by people in wheel chairs or using walkers.

Figure B-8 shows that the largest generation of people in the U.S. is the Echo Boomers, with about 85 million people in 2010. The Echo Boom generation is likely to grow even larger as new immigrants arrive. The oldest Echo Boomers turned 25 in 2010 and are beginning to form households. Echo Boomers will be the primary driver of growth in new households over the next twenty years.

²⁵ A survey conducted by the AARP indicates that 90% of people 50 years and older want to stay in their current home and community as they age. See <http://www.aarp.org/research>.

²⁶ “Aging in Place: A toolkit for Local Governments” by M. Scott Ball.

Figure B-8. Number of persons by generation by age cohort, (millions of persons)



Source: State of the Nation's Housing, 2012. The Joint Center for Housing Studies of Harvard University, p. 16. http://www.jchs.harvard.edu/research/state_nations_housing

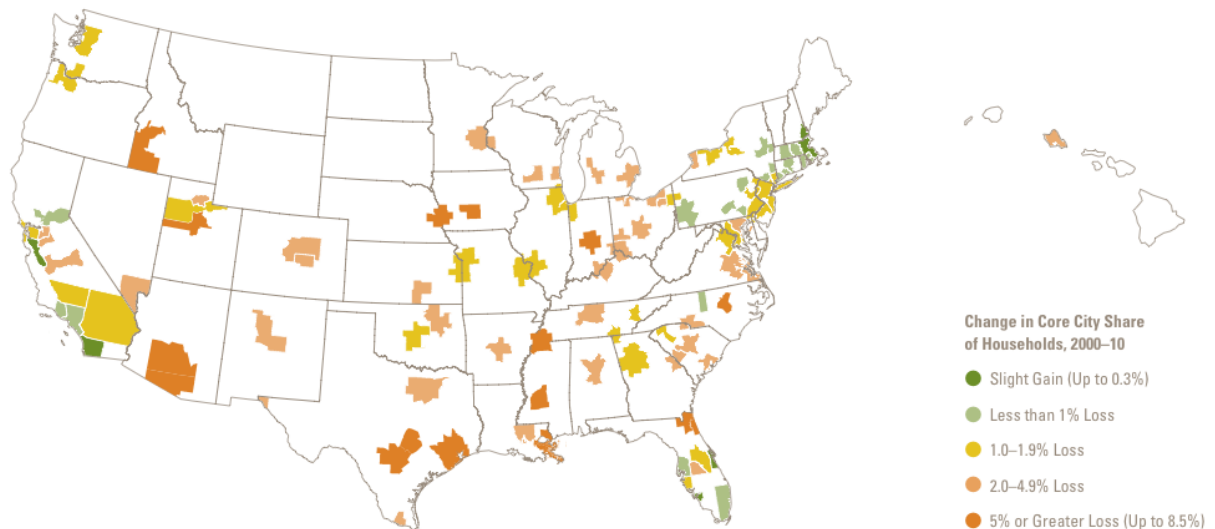
It is unclear what housing choices the echo boomers will make. Some studies suggest that their parents' negative experience in the housing market, with housing values dropping so precipitously and so many foreclosures, will make echo boomers less likely to become homeowners. In addition, high unemployment and underemployment may decrease echo boomers' earning power and ability to save for a down payment. It is not clear, however, that echo boomers' housing preferences will be significantly different from their parents over the long run. A 2011 survey of housing preferences found that 86% of renters aged 18-34 believe that they will eventually become homeowners.²⁷

²⁷ Fannie Mae National Housing Survey, late 2011. Cited in The State of the Nation's Housing 2012, Joint Center for Housing Studies.

TRENDS IN HOUSING CHARACTERISTICS

Figure B-9 shows that, with few exceptions, suburban and other outlying areas grew faster than core cities during the 2000's. The number of households living in core cities decrease in 28 of the largest 100 metro areas and was essentially flat in nine other metro areas. The number of households increased in about one-third of large metro areas.

Figure B-9. Change in share of households located in core cities, major metropolitan areas, 2000 to 2010



Source: State of the Nation's Housing, 2012. The Joint Center for Housing Studies of Harvard University, p. 16.
http://www.jchs.harvard.edu/research/state_nations_housing

The U.S Bureau of Census Characteristics of New Housing Report presents data that show trends in the characteristics of new housing for the nation, state, and local areas. Several long-term trends in the characteristics of housing are evident from the New Housing Report:

- Larger single-family units on smaller lots. Between 1990 and 2011 the median size of new single-family dwellings increased 17%, from 1,905 sq. ft. to 2,227 sq. ft. nationally and 11% in the western region from 1,985 sq. ft. to 2,199 sq. ft. Moreover, the percentage of units under 1,400 sq. ft. nationally decreased from 16% in 1999 to 13% in 2011. The percentage of units greater than 3,000 sq. ft. increased from 17% in 1999 to 26% of new one-family homes completed in 2011. In addition to larger homes, a move towards smaller lot sizes is seen nationally. Between 1990 and 2011 the percentage of lots under 7,000 sq. ft. increased from 27% of lots to 33% of lots.
- Larger multifamily units. Between 1999 and 2011, the median size of new multiple family dwelling units increased by 8% nationally and in the western region. The percentage of new multifamily units with more than 1,200 sq. ft. increased from 28% in 1999 to 38% in 2011 nationally and from 26% to 35% in the western region.

- More household amenities. Between 1990 and 2011 the percentage of single-family units built with amenities such as central air conditioning, 2 or more car garages, or 2 or more baths all increased. The same trend in increased amenities is seen in multiple family units.

Over the last four years, the trend towards larger units with more amenities faltered. Between 2007 and 2011, the median size of new single-family units has decreased by 2% nationally to 2,227 square feet. The western region has seen a 4% decrease in median size of new single-family units, to a median of 2,199 square feet. In addition, the share of new units with amenities (e.g., central air conditioning, fireplaces, 2 or more car garages, or 2 or more bath) all decreased slightly.

It is unclear if these changes in unit size and amenities signal a long-term change in demand for housing or if these changes are a response to the current housing market turmoil. Numerous articles and national studies suggest that these changes may indicate a long-term change in the housing market, resulting from a combination of increased demand for rental units because of demographic changes (e.g., the aging of the baby boomers, new immigrants, and the echo-boomers), as well as changes in personal finance and availability of mortgages.²⁸

These studies may be correct and the housing market may be in the process of a long-term change. On the other hand, long-term demand for housing may not be substantially affected by the current housing market. The echo-boomers and new immigrants may choose single-family detached housing and mortgages may become easier to obtain.

Studies and data analysis have shown a clear linkage between demographic characteristics and housing choice. This is more typically referred to as the linkage between life-cycle and housing choice and is documented in detail in several publications. Analysis of data from the Public Use Microsample (PUMS) in the 2000 Census helps to describe the relationship between selected demographic characteristics and housing choice. Key relationships identified through this data include:

- Homeownership rates increase as income increases;
- Homeownership rates increase as age increases;
- Choice of single-family detached housing types increases as income increases;
- Renters are much more likely to choose multiple family housing types than single-family; and
- Income is a stronger determinate of tenure and housing type choice for all age categories.

²⁸ These studies include “Hope for Housing?” by Greg Filsram in the October 2010 issue of Planning and “The Elusive Small-House Utopia” by Andrew Rice in the New York Times on October 15, 2010.